The International Dimensions of Poverty Relief:

A Comparative Case Study of Angola and Zambia

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Declaration

I, the undersigned, hereby declare that the work contained in this assignment is my own original work and that I have not preciously in its entirety or in part submitted it at any university for a degree.

Abstract

This report seeks to investigate the extent and success of multilateral foreign aid aimed at poverty alleviation in two countries, Angola and Zambia. Links between aid, economic growth, and poverty alleviation are also investigated. It is found that aid alone cannot create economic growth in order to alleviate poverty, and growth from aid alone is not sustainable – as the case study of Zambia shows. In Zambia, aid did not have enough impact to change the legacy of unsound economic polices, as the institutions that led these processes lacked the capacity to design sound policies to manage the aid projects. In the case of Angola, the whole process of using aid for poverty alleviation was seriously retarded by the civil war. The war is clearly one of the major causes of the poverty that exists in Angola – unlike in the case of Zambia where poverty is a chronic situation. As poverty alleviation is critical to both these countries, they should concentrate on empowering the poor with capacity-building skills, and multilateral aid should promote this.

In terms of aid agreements with multilateral institutions, conditions must be in place before aid is granted to promote the interests of the poor. Well-designed aid can be successfully implemented, and can be sustainable. However, this will work only if all stakeholders from the bottom to the top are actively involved in the planning through to the implementing stages. Apart from empowering the poor, government and multilateral agencies also need to encourage the growth of the private sector in these two countries.

Opsomming

Hierdie verslag stel ondersoek in na die omvang en sukses van multilaterale hulpverlening aan Zambië en Angola wat gemik is op die verligting van armoede. Die verband tussen hulpverlening, ekonomiese groei en armoedeverligting word ook ondersoek. Daar word bevind dat hulpverlening nie outomaties aanleiding gee tot groei-plus-armoedeverligting nie, en dat ekonomiese groei wat op hulpverlening gebaseer is, onvolhoubaar is, soos Zambië illustreer. In Zambië kon hulpverlening nie daarin slaag om swak ekonomiese beleid reg te ruk nie, vanweë die gebrek aan institusionele kapasiteit. In die geval van Angola was pogings om hulp te benut vir armoedeverligting ernstig in die wiele gery deur die burgeroorlog, een van die hoofoorsake van armoede in Angola. Aaangesien armoedeverligting `n kritiese uitdaging vir albei state is, moet die armes bemagtig word deur kapasiteitsbou, en multilaterale hulp moet daarvoor geoormerk word.

Dit impliseer dat hulpverleningsooreenkomste aan voorwaardes wat die armes bevoordeel, onderworpe moet wees. Goed-ontwerpte hulp kan suksesvol toegepas word, en kan volhoubaar wees. Dit voorveronderstel egter dat alle belangegroepe aktief betrek word. Naas die bevordering van die belange van die armes, moet die privaatsektor in albei state ook verder uitgebou word.

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CHAPTER ONE

Introduction

This research paper aims to evaluate international aid policies and programmes in Africa through a comparative case study of the role of the International Monetary Fund (IMF) and the World Bank (WB) in aid initiatives in Angola and Zambia.

The research is motivated by the dire poverty in most sub-Saharan countries. There is an urgent need for more effective aid, enabling local institutions to provide for the most basic needs of the poor, and to maintain these services adequately.

1.1. Problem Statement

Africa is in a desperate situation. African countries have the world's highest infant mortality rates, most Africans live below the poverty line ($1 per capita per day), the continent has one of the highest illiteracy rates in the world and there is an almost total lack of infrastructure – and all this despite the poverty relief programmes of many international donors. Before the continent can move forward with the New Economic Partnership for Africa Development (NEPAD), it is important to know how far these measures have succeeded, what causes led to Africa's destitution and how to ensure that the mistakes of the past are not repeated.

This paper examines the internal and external problems faced by African countries in implementing poverty relief programmes (specifically in Zambia and Angola), and why IMF and WB aid has been so ineffective (mainly in Zambia). Whether this is because of inconsistent economic policy, lack of commitment of the major players, the inability of local institutions to deliver aid, or because aid has been concentrated in areas that cannot sustain poverty alleviation in the long term, this research will try to find out, by focusing on three main research questions:

1.2. Research objectives and main research questions

1. To what extent has aid initiative by international donors (IMF and WB in particular) reduced poverty, especially in Angola and Zambia?

This question focuses on whether foreign aid has significantly reduced the level of poverty in these two countries or if is too early to judge the impact of the new policy.

2. Can aid alone ensure economic growth for sustainable poverty alleviation and development?

This question asks whether aid can ensure economic growth that will establish a framework for sustainable poverty reduction and concomitant development. This is a controversial question, with some schools suggesting that aid has not eased poverty but rather created a deeper level of dependency of the southern hemisphere on the north. Others suggest that it matters how aid is channelled: it should be accompanied by internal measures that produce economic growth, with the poor themselves involved in the process. The assumption of this research is that aid alone cannot ensure economic growth – aid must entail good policy in the recipient countries.

3. Is aid used to encourage and promote diversification of economic activities to reduce dependency on trade and to increase the use of local resources?

Again there is a wide range of opinion. Some scholars argue that aid is best integrated where there is sound economic policy. Others say that aid tied to conditions has increased poverty. If a country depends only on aid and does not have productive capacity with well-regulated economic activity, aid will not promote economic diversification. On the other hand, if a country has sources of revenue other than foreign aid, revenue could be redistributed in a more equitable manner by integrating those who have been marginalised, and allowing them to participate in production, thus generating further revenue and reducing the level of poverty.

The IMF and WB have been chosen for two reasons: firstly they are the main contributors of economic aid, and secondly they have both been strongly criticised for their aid policies: the IMF's Structural Adjustment Programme strategy for its top-down approach, with decisions excluding local people and NGOs, and for being too liberal in its attitude towards economic development. The World Bank's view is that only economies with growth sustained by providing work for the poor, and by increasing their assets, have significantly reduced poverty. (Human Development Report, 1997: 10)

Another factor in choosing these two multilateral donors is that they have fewer political or commercial motivations than bilateral donors do. This researcher believes that they are thus better able to attempt a significant decrease in the level of poverty.

Angola and Zambia have been selected as illustrative of recipient countries because they are among the poorest countries in one of the most socio-economically challenged regions of the world. Neither has drawn any significant benefit from their membership of the Southern African Development Community (SADC), which was formed to develop the region and uplift its peoples.

There are important differences between the two exemplar countries. The situation in Angola has been exacerbated by the civil war between the MPLA (Movement for People's Liberation of Angola) government and rebel UNITA (Union for Total Independence of Angola) forces, whereas Zambia enjoys relative peace. Nevertheless these countries share many features characteristic of the region.

The main purpose of this research is to offer some perspective on how the state, civil society and the international community are responding to poverty in Angola and Zambia. The study will attempt to discover what contributions foreign aid and the Structural Adjustment Programs (SAP's) have made towards reducing poverty and whether other policy combinations, such as debt relief, can achieve better results.

1.3. Significance of the study

This study is a qualitative analysis, designed to serve as a catalyst for Angolan and Zambian aid efforts and for designers and implementers of the Structural Adjustment Program. It attempts to show that the costs involved in poverty relief increase sharply when relief is not provided appropriately and efficiently. It is *not* intended as an inquiry into the validity of the relative proactive or reactive features of the policies or actions of aid organisations.

Many countries cannot save enough from their own output to finance investment and are forced to tap into foreign savings investments provided by lenders such as the IMF and World Bank. Analysing the evolution of policies for poverty alleviation includes understanding the history of poverty amelioration as well as its present state. This researcher believes that the ways in which poverty evolves can have deep historical roots, sometimes peculiar to a given country. International and domestic processes affect one another and thus shape the outcome of aid and poverty alleviation policies.

1.4. The Concept of Poverty and its Measurement

The ambiguities regarding definition, cause and physical manifestation of poverty underscore important conceptual and methodological differences. This section gives working definitions of these conceptual instruments, as well as potential problems in applying them. Assumptions about poverty depend those who make them, as well as on the context that such suppositions are applied to, but the fundamental questions are the same: who are the poor and what are their basic characteristics? Do they represent a homogeneous group, and if not, why and how do they differ?

Poverty is usually defined by such factors as lack of access to clean water and health care, prevalence of underweight children under 3 years of age, etc. The World Bank report "Uganda: Growing out of Poverty" (2001:16) distinguishes six main categories of poor and vulnerable people in Africa: landless peasants; female-headed households; aged people and their dependants; people displaced as a result of conflict (internal refugees); orphaned, displaced and neglected children, and disabled people and those living in areas prone to natural calamities. This report is only one instance of a large body of literature on different types of poverty indicators.

Distinguishing between different sets of indicators is crucial to the design of poverty relief policies, since the parameters of the measurement will determine which aspects of the problem will be addressed, and how. For example, if a national poverty reduction strategy is supposed to address both temporary and chronic poverty, two different sets of indicators will be necessary, i.e. one for establishing baselines and another for monitoring progress. (Lock-Dessallien, 1999: 2). In addition, changing perceptions of poverty necessitate adjustments of existing indicators (Lock-Dessallien 1999: 1).

Analysts distinguish between relative poverty and absolute poverty. Absolute poverty is described as a situation where individuals are unable to meet their survival needs (food, shelter, clothing, etc.) as well as other basic needs such as education, health care, self-determination. (Lock-Dessallien, 1999: 2). Relative poverty, on the other hand, is not life-threatening. The poorest segments of the population are compared with the top ones, usually measured in terms of income quintiles or deciles.

Absolute and relative poverty trends do not always converge, and may even move in opposite directions. For example, relative poverty may decline, and absolute poverty increases, if the gap between the upper and lower strata of a population shrinks due to a general economic decline (ibid.). In addition to obvious deprivations, poverty encompasses other deficits that are not easily quantifiable, such as powerlessness and social exclusion.

Poverty can be seen as an absolute notion in terms of capabilities (or possibilities), and relative in terms of commodities and characteristics (Sen, 1993: 37) For example, households without enough food for survival are said to exist in a state of absolute poverty. However, their poverty is also relative in that the cost and consumption of 'sufficient' food may vary considerably across different groups, regions and countries.

The dimensions of poverty are not static. For example, if prices rise faster than income, some households classified as relatively poor may decline to levels formerly associated with absolute poverty, but without a corresponding change in status since the living standards of the absolute poor will have declined proportionally. In addition, the classification of people as "absolutely" or "relatively" poor will also change as cultural or status values change over time. (Streeten 1994: 19)

Economists implicitly consider developed countries as the norm, but the poverty of developing countries is structurally related to their economic and social systems. The systems of production, the utilisation of labour and the distribution of resources contain within themselves mechanisms that lead to poverty. To tackle poverty, it is necessary to understand these relations, and to modify them through structural reforms entailing economic, institutional and legislative interventions.

The measures used to assess poverty in Africa fail to take into account war situations and other factors contributing to poverty in countries such as Angola. Measures of poverty are income-centred, and there is no explicit justification of why they do not consider sources of individual income – which reflect a person's affluence in the African setting – as an important element. The subsistence nature of African economies and the growing number of people living on unearned income and surviving on livelihood strategies (relief assistance, etc.) make African poverty distinct in nature

Africa has the unique disadvantage of a general loss or deterioration of the welfare of the community as a result of poor sanitation, illiteracy and poor medical services, irrespective of the level of income of the individual. These deprivations at community level are ignored by the poverty indices, which are centred around the individual, or at best the household. At the same time, because an individual may find himself still in absolute poverty in spite of full time employment, the effort needed to earn a given income level may be an important element in the poverty process. These and other factors need to be included in poverty measurement.

Sensitive analysis of data to ensure better statistical results is needed, and there are methodological issues to be resolved to minimise dependency on arbitrary measures. These include the use of conditional Indirect Utility Functions, as proposed by Lewis and Ulph (1998:118), and the Rank Dominance method that has been extensively applied in some of the most recent work on poverty. The first approach is based on poverty measures consistent with a social welfare criterion and provides an opportunity to have an endogenous poverty line in the utility maximisation process, so that it can be derived as functions of prices and income. The second makes exclusive use of the Lorenz function to compare the incidence of poverty among different income patterns, thus providing at least a consistent ordering of the hand-count ratio and summary poverty gap indices. (Todaro, M, 1997: 139-148)

For example, aggregate summary measures of data on micro-level expenditure and the consumption patterns of individuals and/or households in a given region, sub-group or sub-class are required. Using the Lorenz function, extrapolations can be made if time-series data are not available. It is of fundamental importance to reach estimates about the relation between poverty and other correlates, such as education, health care, demographic processes, available resources and environmental factors.

The framework proposed here for poverty assessment in Africa will focus on chronic and mass poverty. (In the case of Angola, the prevailing poverty can also be characterised as transitory, because of the ongoing war situation, which has led to a massive displacement of people.) To circumvent deficiencies in existing approaches, this framework includes multiple indices and other social indicators designed to comprehensively capture and explain the interrelated features of poverty.

1.5. Methodology

This paper is a comparative case study of Angola and Zambia, for the period 1994 to 2001. According to Bell (1993: 3), a case study approach is "appropriate for individual researchers, because it gives opportunity for one aspect of a problem to be studied in some depth." This study is based on primary sources, such as books, journals and official documents from the World Bank and the International Monetary Fund, and secondary sources, such as newspaper articles, the Internet, etc. Secondary sources provide an "internal" viewpoint (i.e. that of the actual recipients of aid), and give as well the points of view of the donors themselves regarding their poverty relief programmes. Moreover, documentary analysis is a valuable source of data, allowing researchers to work with aggregate data, as the unit of analysis is a group of individuals, rather than an individual per se (Ferman et al, 1975: 58).

Any academic study requires a methodology: research must have methods of producing and analysing data so that a theory can be tested, accepted or rejected. Thus methodology is concerned with both the detailed research methods through which data are collected, and the more general philosophies upon which the collection and analysis of data are based (Haralambos and Holborn 1995: 808). Stake (1995: 7) claims that "the analysis of data is a matter of giving meaning to the first impressions as well as to the final compilations." Thus analysis of data essentially means taking apart our impressions and observations.

It is important to stress briefly the epistemological basis for choosing a qualitative approach as the paradigm for this study, with documents as my research instruments. This researcher's mind is not a blank slate on the questions of this research. In fact his close acquaintance with the problem is the source of motivation of this study, and he has a vested interested in its outcome. However this does not imply that the outcome of this study has to take any particular direction, nor that it should demonstrate, for example, that there is, or is not, an immediate solution to the problem of poverty.

This thesis is embedded in theory. The utilisation of theory is of critical importance, as it is through it that we "see" the world. The Structural Adjustment Policies that have been forced on the developing world by the IMF and the WB were based on practitioners' belief that liberalism was the sole economic policy for both economic and social development. Keynes (1964:383) illustrated the importance of theory, especially in the social sciences, when he argued that, "The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. In fact little else rules the world. Practical men, who believe themselves to be exempt from any intellectual influences, are usually the slaves of some defunct economist." The so called rational policies that were forced on the developing world and the way aid was utilised by these countries clearly illustrate the hegemony of a particular theoretical approach.

This thesis uses Critical Theory, thus engaging all the stakeholders rather than focusing only on state-actors and donors. The communal emancipatory approach of Critical Theory is clearly illustrated by Cox when he argues that, "Theory is always for someone and for some purpose." (Cox, 1995:13). It is clear from the current destitute position of Africa that previous donor initiatives failed because they were led by state actors, and technocrats from the both the IMF and the WB. This paper's use of Critical Theory calls into question the theoretical hegemony that underpins their approaches and shows a new way of doing things. The top-down approach has led to aid being utilised for both personal and short-term political gains. Critical Theory calls for a bottom-up approach, which would include the people. This would lead to donor funds being taken to the people in need rather than being utilised for personal gain by state-centred actors.

1.6. Limitations and Delimitation

A desk review is not a participatory process and therefore subject to certain limitations. Of necessity, the reviewer has relied exclusively on available data (such as government documents and on statistical evidence of growth from the World Bank and International Monetary Fund, as well as research reports on perceptions of the poor) that sometimes raise more questions than they answer. Accurate estimates of the extent to which foreign aid has significantly contributed to economic growth and development, could have served as point of departure for the present study, but these have proved impossible to find. Furthermore, there are no comparative studies on poverty levels or evaluation of policy strategy for poverty relief. However the lack of correspondence does not preclude a comparative analysis of poverty among different regions or societies as CROP (Comparative Research Programme on Poverty) has produced since 1992.

Another important complication in the analysis of the varying poverty levels in Angola and Zambia is the fact that many of the assessment studies conducted there are inaccurate, mainly because of the absence of conditions that are conducive to thorough research. Some of the surveys conducted by international institutions have considered, despite the war, that Angola is fundamentally at the same level of extreme poverty as Zambia, even though the latter country has been politically stable since independence. This suggests that a definite lack of clarity, further aggravated by the fact that Angola has through to the years received considerable foreign assistance in the form of humanitarian aid to those segments of the population affected by the ongoing civil war. These are among the limitations encountered by this researcher in conducting a comparative analysis of poverty alleviation within the two countries.

CHAPTER TWO

Poverty in two African States

This chapter will be concerned with presenting what is known about poverty in Africa, its causes and origin, and the progression of poverty in the two countries studied. The level of poverty in both countries will be illustrated using the set of indicators of economic growth and development data drawn up by the World Bank.

There are many questions surrounding the issue of poverty in sub-Saharan Africa (SSA). Ambiguities regarding the definition and causes of poverty underscore important conceptual and methodological differences. A comprehensive understanding of the different perspectives on poverty and their underlying assumptions is thus a prerequisite to assessing the impact of any aid policies.

The countries on this study both suffer extreme levels of poverty, but there are definite differences in their origins. The Zambia situation is significantly related to poor policy implementation and high level mismanagement of the resources of the country. In addition, the package of reforms of the neo-liberal SAP's, with no alternative social perspectives, has increased poverty.

Measurements taken by international agencies in Angola seem to show that the level of poverty is much higher there, but these figures are dubious since the ongoing war has precluded accurate assessment. (It is however true to say that the Angolan war is a major cause of poverty; many rural people made destitute by the war have become refugees in the urban areas.) In addition Angola appears to have greater potential for growth – of course with international support – once political and economic stability return. Despite these differences, the levels of poverty in the two countries remain equally bleak.

2.1. What do we know about poverty in Africa?

The World Bank (1990: 1-3) correctly states that perceptions of poverty have evolved historically and vary greatly from culture to culture. Poverty analysts must identify the forces that determine patterns of ownership and of production, since these forces determine the structure of inter-personal status and inter-group differentials, i.e. wealth and income, in society

The UNCTAD report on least developed countries (2002) suggests that the number of people in Africa living on less than US$1 per day, has increased since the late 1960s, rising to about 55.8 per cent in the late 1990s. Poverty levels in Africa are higher than in any other region of the world, and the segment of the population most affected are women and children.

The African continent comprises fifty-three countries with a population of approximately 700 million people, divided into groups of great linguistic, cultural and historical diversity, but with one common feature: the overwhelming majority of these people live in conditions of abject poverty. There are many causes of this poverty. These range from insufficient natural resources for sustaining the local population, to massive corruption and misappropriation of wealth by the leaders of a country. However, it is impossible to explain the vast scope of present-day African poverty only in terms of present-day local causes; it is a longstanding and far-reaching.

The table below is taken from World Bank figures and shows clearly the two most important problems that the continent is facing, on the one side is the spread of HIV/Aids and on the other is the low gross national income (GNI) per capita.

Table 1: Africa: basic indicators, 2000-2001

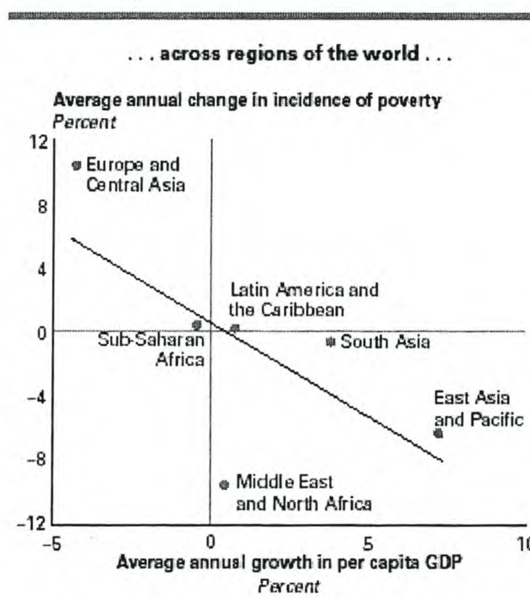
Total population: 792 million
Population growth: 2.3%
Life expectancy at birth: 47 years
Infant mortality per 1,000 births: 91
Female youth illiteracy: 27%
Gross National Income (GNI) per capita: $470
Number of persons living with HIV/AIDS: 28.5 million

Note: *Life expectancy at birth, infant mortality rate per 1,000 births, and female youth illiteracy figures are for 2000; the other indicators are for 2001.*

Source: *World Development Indicators database, April 2002*

The 2001 UNCTAD report (2001; 1) stresses that economic growth in SSA has kept pace with population growth. However, after a moderate increase in per capita income during the 1970s, growth in the region was 2.1 percent in the 1980s, and 2.4 percent in the 1990s. Despite a degree of economic recovery in 1994/95, by the turn of the millennium the per capita income was 10 per cent below the level of 20 years previously. The report emphasises that the slow and erratic growth in SSA was followed by regressive changes in income distribution, with the poorest segment of the population experiencing the steepest declines in their income per capita.

Graph1: Regional comparisons of economic growth and poverty reduction



Source :World Development Report, 2000/2001, p. 47

Poverty in the African continent is still mainly concentrated in the rural areas. From empirical observation this researcher believes, however, that if African governments do not invest in modern technological agricultural techniques, migration from rural areas will definitely increase, thus increasing the level of urban poverty .

Although the movement of peoples in Africa to urban areas is due to a variety of causes, in the case of Angola the dominant reason for this migration has been the war, with people moving to urban areas to gain protection. The lack of urban infrastructure and accommodation for these people has resulted in their becoming destitute. UNCTAD reports (2002:26) that, in Zambia too, the number of people in rural areas fell, and urban poverty rose. However, the WB World Report (2002) emphasises that during the 1990's the GDP per capita in third world countries grew at 1.6 per cent per year and the number of the people living on less $1 per day fell from 29 per cent to 23 per cent. (In 1999 about 125 million people were living in extreme poverty.)

There seems to be a downward trend in poverty levels in other regions of the world, particularly in Asia. For example, sustained economic growth in China in recent years has made it possible for around 150 million people to move out of poverty after 1990. The African continent, on the other hand, has shown no significant progress. Lack of leadership commitment seems to be one of the main hindrances. While such level of non-commitment it will be left out as far the New programme for Africa recovery get into track, such will disappear because it will make possible for every leader in this continent to be committed to their citizens by giving them a better conditions through to a good governance of the resources that the continent has and forward development and a sustain growth for poverty eradication. [1]

One of the main causes of poverty in Africa is the level of human capital development. The rate of the enrolment of children at primary school is very small compared with other regions of the planet. A higher level of investment in education is needed to achieve the sustained development necessary for the elimination of poverty. In addition, there is a very high level of gender discrimination across the continent, with most children enrolled in school being male, thus reinforcing the level of poverty. There is evidence support the idea that better education is associated with higher contraceptive use and lower birth rates. Moreover better education results in economic expansion, with concomitantly greater opportunities for women. (UNCTAD, 2002:49).

In terms of health care too the continent lags behind others regions of the globe. Levels of infant and maternal mortality are higher, as are those of sexually transmittable illnesses, in particular HIV/Aids. According to a UNAIDS source, the continent leads in the proportion of people infected, and a lack of resources contributes significantly to the spread of the disease. [2]

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[1] http://www.worldbank.org/data/wdi2002/worldview.pdf (World View)

[2] http://www.worldbank.org/data/wdi2002/ worldview.pdf (World View)

2.2. The origins of African Poverty

There are three main schools of thought concerning the wider causes of African poverty. The first – and most widely held – system of thought strongly suggests that the origins of the problem are to be found in the slave trade, colonialism and neo-colonialism (Rodney, 1972; Inikori, 1979). The second argues that quite apart from colonialism, African poverty was enabled through European enforcement of the integration of the continent into the world economy (Amin, 1974: 9-26; Porter et al, 1998: 105-107). The third focuses on the African fixation on westernisation (Ake, 1990).

2.2.1. The legacies of colonialism

Galbraith (1979: 17) asserts that attempts at characterising poverty have been mainly a one-way process in which wealthy countries make pronouncements about poor ones. This is the most important aspect of the analysis, and is directly attributable to the legacy of colonialism.

The case studies that form the focus of this paper cannot be discussed without referring to the underlying colonial and pre-colonial past. To Africans, it is undeniably disturbing to be faced persistently with an under-valuation of their continent, particularly when those making this valuation ignore the fact that, for more than four centuries, African people were sold as commodities and used as mere tools of production, with the results of their labour being systematically transferred to more developed countries.

Rodney (1972: 113-117) says that the root cause of African poverty was the disruption of indigenous African political and socio-economic development by colonial powers. There is much evidence to suggest that, prior to this, the continent was not as politically or socio-economically underdeveloped as is generally supposed. Ayittey (1990: 22) asserts that, "there were highly organized systems in Africa before the arrival of the Europeans. Indigenous economic systems were, contrary to popular belief, capitalist, and indigenous political systems were democratic": local leaders were often elected, power ultimately emanated from the village assembly and, most importantly, the source of power and wealth – land – belonged to the village.

Economic activities were also both better-developed and more extensive than colonial history books would have one believe. Ayittey (1990: 23-24) points out that pre-capitalist West African business centres employed early capitalist modes of production characterised by the hiring of labour, exchange in kind and money-like payments. Mammo (1999: 19) demonstrates that large-scale commercial activities were not confined to Central and North Africa, but were also well-developed in pre-capitalist Southern Africa. One of the main commercial centres was called Lozi, incorporating city states along the Zambezi River and Sabi Valley known for their agricultural knowledge and commercial activities. Hiffe (cited in Mammo, 1999: 19) mentions that indigo-dyed cotton cloth production was the most important craft industry in Sub-Saharan Africa and that the region enjoyed widespread trade with other African regions.. There was also a flourishing merchant capitalist exchange between the Islamic north and the western regions, and even considerable export activity to the Old World (for example the well-known red "Moroccan leather" really issued from Nigeria and Mali).

It is clear from the above that in pre-colonial Africa there was a substantial pool of knowledge and successful practice in business and agriculture, as well as in local and political administration. How then, and why, were these apparently healthy and independent indigenous systems destroyed?

Of all the colonised regions of the world, Africa has suffered longest and most severely from colonial occupation. The continent was, and remains, subject to arbitrary division and misappropriation of resources by powerful Western nations. Many scholars argue that it is these factors that sent the continent into spiralling underdevelopment and relegated it to the periphery of world affairs.

Africa's mineral resources, notably gold, were extracted by colonial powers from 1550 onwards, but this was not all that was taken from this unhappy continent. Inikori (1992: 102) estimates from 1701 to 1860 about eleven million slaves were exported across the Atlantic – mainly from present-day Angola and Nigeria. Another ten million Africans were sold into slavery via the trans-Saharan and Red Sea routes, and roughly two million more crossed the Indian Ocean between 1451 and 1870.

Most of those sold into slavery were men and women of productive age. Since the labour force constitutes the most important factor in a pre-capitalist environment, the damage inflicted on socio-economic development in Africa, and especially in the hardest hit regions like Angola and Nigeria, was enormous (Mammo, 1999: 21). Himmelstrand (1993:12) refers to this as a "gigantic demographic drain, the brutalisation of political culture".

Slave labour accelerated the rate of development of the First World; American cotton production and mass-scale European textile production were built upon it, as well as Indian sugar production.

The slave trade had other spin-offs: it promoted the development in Europe of marine technology (for example, better shipyards for building better slaving vessels), together with marine insurance and bank credit systems. In a letter to Annenkov in 1884, Marx summarised the crucial importance of slavery in the development of capitalism and the industrial revolution as follows:

"Direct slavery is as much the pivot of our industrialism today as machinery, credit, etc. Without slavery, no cotton, no modern industry. Slavery has given value to the colonies; the colonies have created world trade; world trade is the necessary condition of large-scale machine industry." (Letter to P.V. Annenkov, Brussels, 28 December 1846.)

In sum, the slave trade was negative to Africa in every respect. Forced trade in people depopulated the continent and hampered its development. And when Europe and America at last abolished formal slavery, the "Scramble for Africa" began in earnest. With the arbitrary division of Africa into European colonies (formalised at the Berlin Conference of 1885), the continent entered a new phase of entrenched poverty and suffering – the beginning of the present political, ethnic, social and economic problems in many parts of Africa, and the starting point for the disparity in socio-economic development between north and south (Mammo, 1999:22-23).

2.2.2. Globalisation and integration into the world economy

The second perspective on the causes of poverty in Africa in colonial times centres on the negative side-effects of integrating peripheral economies into the world economy. Proponents of these theories argue that the integration of Africa into the global economy, forced on it by European intervention, allowed the first world to absorb Africa's surpluses, accelerating the process of poverty in these areas. This would hold true, they argue, even if colonialism proper had never exerted any influence in the region (Amin, 1974: 104-119).

This school of thought further maintains that Africa's integration into the world economy was shallow, with western capitalism neither fully destroying traditional economies (as happened in Singapore), nor adapting to and integrating into the local cultures (as in Japan), nor yet allowing indigenous African knowledge and traditional practices to develop freely and take their own course.

2.2.3. Westernisation

The third school of thought (which has not yet been clearly articulated) sees the African 'fixation on becoming westernised' as the major contributory force behind prevalent poverty on the continent. In its pursuit of a Western lifestyle, the continent has neglected to sustain the development of its indigenous attributes and capacities (Porter et al, 1998: 78-79).

In spite of their differences, all three of the above paradigms agree that post-colonial Africa has been characterised by negative development; the distinguishing aspect being the level of emphasis placed on the impact of colonialism.

It is clear that the factors contributing to poverty vary from country to country. The major causes of poverty in Kenya, Tanzania, Angola and Zambia could be referred to external, i.e. attributable to colonialism. On the other hand are the internal factors in the spread of poverty. For example, although both Tanzania and Angola embraced socialism immediately after independence, Angola was more of a settler colony than Tanzania, and is much richer in terms of agricultural potential, and there were clear differences in the kind of socialism practised in these countries (Mammo, 1999: 9).

Distinctions between the internal and external causes of poverty are subtle and shifting in nature. This paper emphasis the internal causes, through the application of a multi-dimensional factors approach in measuring poverty levels. Having been subjected to colonial occupation for centuries, the countries in question, viz. Angola and Zambia, experimented with both socialist and capitalist approaches to development over a period of decades. These countries thus illustrate that external and internal factors can combine to halt development and deepen poverty.

It can be argued that colonialism did not in fact destroy indigenous knowledge and traditional practices. Nevertheless it undermined them by failing to leave them space to adapt to changing circumstances, and thus contribute to the alleviation of poverty. Indigenous knowledge and traditional practices should be considered essential features of any poverty relief programme (Hobsbawn and Ranger, 1983: 4).

This researcher believes that the conditions under which the African continent was integrated into the world economy as the main suppliers for raw material, helped to deepen the level of poverty. The situation was rooted in policy management that did not reflect the reality of most of the countries on the continent, so that, instead of improving, living conditions deteriorated.

The World Bank has identified the following as the main causes of poverty: inadequate access to employment opportunities: inadequate physical assets, such as land and capital; and minimal access by the poor to credit, even on small scale; inadequate access to means of supporting rural development in poor regions; inadequate access to markets where the poor can sell goods and services; low endowment of human capital; the destruction of natural resources leading to environment degradation and reduced productivity; inadequate access to assistance for those living at the margin and those victimised by transitory poverty, and lack of participation and failure to draw the poor into the design of development programs. The WB has also suggested that the consequences of poverty in the continent often reinforce its complex causes, exacerbating the problem.

There is growing concern about projected poverty levels in Africa and their international implications. Virtually all indicators show that the continent has fallen behind the rest of the developing world in spite of considerable international aid. This poor performance has shaken the confidence of both donors and recipients, with the effectiveness of aid efforts being increasingly questioned in the Northern hemisphere. It seems that a sense of "aid fatigue" has set in.

2.3. Development and underdevelopment

Development can be defined as movement towards material well-being through factors such as rise in output, positive skills, optimal use of capacities etc., resulting in an increase of income. In this paper, development will be treated as a function of economic growth. Definitions of economic growth differ; the conventional definition viewing it as "a rapid and sustained rise in real output per capita with attendant shifts in the technological, economic and demographic characteristics of a society." (Todaro, 1997: 685)

Development is a multi-dimensional and dynamic process, encompassing a variety of disciplines. In this paper it is conceived of as incorporating both economic growth and non-economic factors, thus ranging from institution-building to cultural upliftment. This perception includes self-reliance and, above all, the stimulation and encouragement of individual initiatives. Thus it is essential that development efforts include the use of indigenous knowledge and traditional practices.

The above perspective presupposes a society where people can express themselves without fear, and participate freely in all activities related to their lives. This viewpoint corresponds closely to Himmelstrand's opinion of development (1993: 4-5): "[Development is] the capacity of a given society increasingly to use its own resources of land minerals and man-power to feed its own people ... without indigenous entrepreneurs and labour there is no further development. However a considerable measure of autonomy, self-rule and democracy [is an essential component of such development]."

This notion of development amounts to what is generally referred to as sustainable human development or people-oriented (or people-centred) development. Sustainable human development is well-described by the Human Development Report of the United Nations Development Program (UNDP) as follows:

> " [It] is development that not only generates economic growth, but also distributes its benefits equitably; that regenerates the environment rather than destroying it; that empowers people rather than marginalizes them. It is development that gives priority to the poor, enlarging their choices and opportunities and providing for their participation in decisions that affect their lives. It is considered development that is pro-people, pro-nature, pro-jobs and pro-women." (UNDP HDR, 1994: 13)

The report also considers sustainable development as people-centred, with the goal of establishing environments "where no child goes without an education, where no human being is denied health care and where all people can develop their potential capabilities" (UN HDR, 1994:13). This implies the creation and sustaining of conditions that protect basic human rights. In short, it focuses on human beings.

Conversely, conventional definitions of underdevelopment judge by industrialised standards. They include poor economic growth, inferior skills, low levels of capacity utilisation and less material well-being. What is missed here is the recognition that low-income equals low material well-being, leading to lower personal status, a loss of self-confidence and self-reliance – thus completing the vicious cycle of poverty.

Conventional approaches often equate economic growth and social development. Though these concepts go hand in hand, there are in fact clear distinctions between them. In this paper economic growth and social development will be used distinctly.

Mammo (1999: 14) asserts that, to achieve basic change, societies must embrace essential structural transformation. Hettne (1990, cited in Mammo,1999:14) characterises structural transformation as cultural, political social and economic change. Similarly, Godelier (1987, cited in Mammo,1999:14) characterises transformation as a steadily progressive process, with old structures disappearing as new ones emerge, rather than spontaneous or dramatic social change, such as a political coup. This corresponds to the way in which transformation will be viewed here – as a process involving a wide range of social agencies, i.e. people or local structures, acting as agents of transformation.

According to Chambers (1983: 103-113), indigenous knowledge is a stock of local knowledge prevailing in a certain area. It should be understood here as a "body of experience which could be culturally and regionally specific, adaptable to new useful innovations, cumulative and supportive to sustaining survival." (Mammo, 1999:15)

If development is seen as satisfying basic human needs, i.e. the availability of food, safe drinking water, health care, shelter, clothing and basic education facilities, then it clearly minimises poverty. The converse is also true: underdevelopment directly increases poverty. Chambers addresses the human aspect of this relationship when he describes the effects of impoverishment or underdevelopment: powerlessness, physical weakness, vulnerability and isolation, which in turn amplify poverty even further (1983: 103-139). Moreover, Galbraith (1979: 14-17) asserts that mass poverty, specifically in developing countries, is largely a rural problem, and that the efforts and/or effects of socio-economic development should therefore be measured by the level of increase/decrease of poverty of rural populations.

Implicit in every debate on poverty is a moral question demanded of society as a whole. Events, decisions and activities in the industrialised countries of the West have significant consequences for both nations and individuals in the non-industrialised world. As the Western world becomes increasingly industrialised, more and more people in the developing world are becoming poor. One cannot simply ignore this problem; there is an urgent need for policy and institutional change.

External assistance should be seen as a complement or supplement to internal efforts rather than a substitute. Unfortunately in Africa the easy flow of loans and aid has greatly hampered domestic initiatives to mobilise internal resources. The developing world cannot simply blame the industrialised nations and their colonial past for all their ills, and expect these nations to solve their problems. The leaders of the poorest countries must assume a pro-active role in the battle against poverty and seek to eliminate it through their own efforts (Mammo, 1999:58-60).

Many scholars maintain that poverty is likely to remain problem in Africa, primarily because of the lack of political will of its leaders and the absence of local, people-centred development. The results are poor policy implementation, lack of government commitment to the redistribution of resources, especially land, and inadequate support from the private sector and donor communities.

Some experts have also argued that the introduction of Structural Adjustment Programmes and the dismal failure of 'safety nets' are significantly contributing to growing poverty, because they were not designed to match the local realities. (Soludo 1996:107-8, and Hussain 1994:152-7)

Most economies in sub-Saharan Africa are highly dependent on exports of raw material such as minerals or agriculture products. This makes them highly vulnerable to fluctuations in the international market, especially with the erosion of primary commodity prices in recent years.

The new partnership for African recovery, NEPAD, aims to ameliorate poverty by including internal, rather than external participation at the design level. However, any attempt to improve living conditions for the poor in the South must be combined with relevant interventions from the North. Trade, aid, investments and debt should be reflected in policies for poverty eradication at all levels. Isolated projects emphasising the delivery of particular social services are not enough.

2.4. Background and data on Angola, and evolution of poverty in Angola

Angola is a country of extreme and ever-increasing poverty and despair, despite having greater economic potential (particularly from oil and diamonds) than most other countries in sub-Saharan Africa. In 2000, Angola ranked 160th out of 174 countries in terms of human development. The Angolan child mortality rate is perhaps the most dramatic indicator: 292 out of 1000 children die before they are five years old. Moreover, the very low enrolment in primary education foreshadows a problematic future. It is hardly surprising that UNICEF recently declared Angola one of the worst countries in the world for children to grow up in (Tvedten, 2001:3).

Table 2: A profile of Angola's people

	1997	2000	2001
Population, total	12.0 million	13.1 million	13.5 million
Population growth (annual %)	3.0	2.9	2.8
Life expectancy at birth (years)	46.5	46.6	..
Fertility rate, total (births per woman)	6.8	6.6	..
Mortality rate, infant (per 1,000 live births)	125.0	127.6	..
Mortality rate, under-5 (per 1,000 live births)	209.0	207.8	..
Urban population (% of total)	32.2	34.2	34.8
Net primary enrolment (% of relevant age group)	33.8	..	..

Source: ***World Development Indicators database*****, April 2002**

According to the Angolan National Institute for Statistics, about 67 per cent of the urban population of Angola lives below the poverty line. Even this number does not adequately reflect the situation, since in over 40 per cent of impoverished families, the household is supported by a single woman providing for herself and more than five children. Unemployment and lack of income are a threat to stability: in a population of 11.2 million, only about 12 per cent of the active workforce is employed. An estimated US$1.6 billion – close to 20 per cent of the GDP/PIB – is seen as needed to create employment and improve access to basic services. Those who are relatively poor need an income increase of about 36 per cent to move out of poverty, and those on the extreme level require an increase of 75 per cent. (Rocha, 1997:81-85)

Table 3: Angola's economic performance over three years, 1997-2000

GNI, Atlas method (current US$)	6.2 billion	5.7 billion	6.7 billion
GNI per capita, Atlas method (current US$)	510.0	430.0	500.0
GDP (current $)	7.7 billion	8.9 billion	9.5 billion
GDP growth (annual %)	7.9	3.0	3.2
Inflation, GDP deflator (annual %)	94.3	408.0	127.7
Agriculture, value added (% of GDP)	9.0	5.8	8.0
Industry, value added (% of GDP)	60.8	72.8	66.8
Services, etc., value added (% of GDP)	30.2	21.4	25.3
Exports of goods and services (% of GDP)	69.0	92.3	74.0
Imports of goods and services (% of GDP)	67.8	64.6	62.3
Gross capital formation (% of GDP)	25.5	35.4	34.0

Source: *World Development Indicators database*, April 2002.

The World Bank list cited above misses a very important factor behind the poverty in Angola – the "cause behind the cause" – the 28-year civil war. In addition to the crippling financial burden of war, there have been serious implications for resource allocation, and land mines have greatly limited agriculture. As has already been mentioned, destitute rural people have flocked to urban centres (such as Luanda, Sumbe, Benguela and Namibe), which do not possess the infrastructure to house or provide them with basic health and sanitation services.

This researcher believes that the consolidation of peace is the primary condition for the eradication of poverty in Angola. Apart from the government's reforms, the poor themselves are not passive, and are actively looking for alternatives to reduce incidental poverty. This is a significant departure from other countries, where the poor seem to rely solely on government or foreign assistance to relieve their plight.

2.5. Background and data on Zambia, and the evolution of poverty in Zambia

With its copper mines and other natural resources, Zambia used to be one of the wealthiest countries in Africa, but these riches are now servicing huge international debts. Statistics indicate that 76% of Zambia's population (9.5 million) live below the poverty line.

Table 4: A profile of Zambia's people

	1997	2000	2001
Population, total	9.4 million	10.1 million	10.3 million
Population growth (annual %)	2.5	2.1	1.9
Life expectancy at birth (years)	43.1	38.0	..
Fertility rate, total (births per woman)	5.6	5.3	..
Mortality rate, infant (per 1,000 live births)	113.0	114.5	..
Mortality rate, under-5 (per 1,000 live births)	188.5	186.5	..
Malnutrition prevalence (% of children under 5)	23.5	..	..
Urban population (% of total)	39.3	39.6	39.8
Illiteracy rate, adult male (% of males 15+)	16.6	14.8	14.3
Illiteracy rate, adult female (% of females 15+)	32.3	28.5	27.4

Source: *World Development Indicators database*, April 2002

It does however seem as though economic performance improved in 2001, as reflected in the selectively high growth in real GDP and per capita income, which led to a significant reduction in inflation and a more stable exchange rate.[3]

Table 6: Zambia's economic performance over the three years, 1997-2000

GNI, Atlas method (current US$)	3.5 billion	3.1 billion	3.3 billion
GNI per capita, Atlas method (current US$)	370.0	310.0	320.0
GDP (current $)	3.9 billion	3.2 billion	3.6 billion
GDP growth (annual %)	3.3	3.6	5.2
Inflation, GDP deflator (annual %)	26.0	30.0	24.3
Agriculture, value added (% of GDP)	18.7	22.3	22.0
Industry, value added (% of GDP)	34.2	25.3	25.7
Services, etc., value added (% of GDP)	47.1	52.4	52.3
Exports of goods and services (% of GDP)	30.1	17.3	22.1
Imports of goods and services (% of GDP)	35.3	39.7	39.5
Gross capital formation (% of GDP)	14.6	19.2	20.9

Source: *World Development Indicators database*, April 2002

[3] http://www.imf.org/external/nb/2002/nbo245.htm (PRGF-Loans Assistance to Zambia)

The Zambian economy is based mainly on agriculture and mining (mainly copper). According to the Economist Intelligence Unit (EIU) of 13th November 2001, weaker copper prices and less demand have lowered growth forecasts for Zambia, the real GDP growth expectation for 2002 is 4.3 percent despite increased mining output. (This is forecast to pick up to 4.6 percent in 2003.) Food prices are rising and are expected to rise further because of the poor maize harvest in 2000/01, and the drought conditions that southern Africa has been experiencing over the past two years.

Zambia's external debt is expected to rise to about US$ 5.96 billion in 2002 and to US$ 6 billion in 2003. Under the 'heavily indebted poor countries' initiative, the debt-servicing rate will remain high at 36.4 percent in 2002 and 37.1 percent in 2003, as the country repays a recent IMF loan. The Kwacha (local currency) is expected to continue depreciating, partly to maintain export competitiveness and partly reflecting importers' demand for US dollars.

Although post-independence models of development thus far applied in Africa by foreign agents and governments have not brought about the anticipated results, these models are not necessarily all undesirable.

African countries have not managed to accommodate their cultural heritage in their attempts to bring about transformation, thus inadvertently contributing towards further expansion of poverty on the continent. Although abject poverty is widespread, this researcher does not believe that it will require decades to eradicate it. With political will and increased investment in human development, poverty can be drastically reduced within a generation.

CHAPTER THREE

International attempts at poverty relief in Angola and Zambia

Changes in resource accumulation, global population growth, increases in knowledge and technological advances represent a complex evolution in the world economy, sometimes accompanied by dramatic political transformations. This chapter summarises the relationship of these factors to the effectiveness of foreign aid, and in particular aid to Zambia and Angola. The chapter deals with several international attempts at poverty relief in these countries by focusing on some of the new policy measures, which have emerged in the last five years from both multilateral and bilateral donors.

This part of the research will not attempt to answer the question of whether aid "works" or not. Justifications for aid have changed significantly over the past fifty years, reflecting changes in both development theory and politics. How successful aid intervention is must be judged with reference to its underlying goals: "the unresolved issue in assessing aid effectiveness is not whether aid works, but how and whether we can make the different kinds of aid instruments at hand work better in varying country circumstances." (Hansen and Tarp, 2000: 375-398) Furthermore, unless structural transformation gets firmly under way, "star performer" status shifts from one country to another. For example, Ghana found it difficult to maintain itself as the "front-runner in adjustment" that it was seen as in the early 1990s.

During the last five decades, the developed world recovered rapidly from the ravages of war, and proceeds to grow at unprecedented rates. Developing countries also performed well on average, and the WDR, (2000) includes both Angola and Zambia as economies eligible for the World Bank borrowing. On the other hand the report emphasised that aid flow to African has declined over the last few years, falling around 40 per cent per capita. Despite that, the report states that the G7 countries are still committed to the decisions of the Monterrey conference, which could turn around current trends in aid flow.[4]

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[4] http://www.worldbank.org/annualreport/2002/chap0502.htm. (Annual report 2002-Region: Africa.)

During the Cold War, Western governments, hoping to stem the spread of communism, were eager give aid to developing countries, while their Socialist counterparts were equally keen, wishing to establish socialist systems. This situation no longer pertains, and although donor countries affirm their concern regarding the extent and degree of poverty in the world, actual delivery of aid is now complicated by ongoing civil wars and the failure of many developing countries to comply with principles of good governance.

3.1. The Evolution of Aid Policies since Africa independence

The economic crisis of the 1970's and 1980's led to the drying up of commercial loans and foreign investment, forcing governments into the arms of the IMF and World Bank. Funding was now subject to a government's adherence to a standard adjustment program. Foreign aid to sub-Saharan Africa nevertheless increased from 3.4 per cent of GNP in 1980 to 16.3 per cent in 1995. Most of this official aid was applied in the funding of basic government programmes, including development expenditures. Thus African governments have allowed their economic policies, as well as much of their social policies, to be dictated by external agencies. (Mkandawire and Soludo, 1999: 119-127)

In the opinion of this researcher, it is important to look at the origins of the economic crisis, from 1960 to 1980. On independence, Africa's rulers had to promote nation-state building and economic development. This entailed popular acceptance of the territorial boundaries inherited from colonialism. Economic development, however, created new patterns of resource allocation that altered the distribution of benefits among social classes and ethno-cultural communities. The resulting tensions within these two processes were inevitable (Hawthorn, 1991: 25-29).

The newly independent states inherited economies reliant on the production and export of primary resources. With the exception of a few mineral-rich countries (e.g. Zambia, the Democratic Republic of Congo and Angola) and settler colonies with large-scale agricultural sectors (e.g. Kenya and Zimbabwe), their economies were dominated by rain-fed subsistence farming. Some of the more prosperous colonies saw the beginnings of industrialisation in the 1950s, but colonial transformations did not encourage indigenous entrepreneurship, due to fear that African entrepreneurial success would disrupt the political order. Banking, insurance and manufacturing remained dominated by foreign capital. Lack of development of local human resources was a further significant limitation to economic growth.

The challenges of nation-state building also presented a major problem. The boundaries of colonial Angola and Zambia derived from conquest and negotiations between imperial powers, often involving the haphazard and brutal amalgamation of diverse communities within artificial boundaries. Colonial administrations were reluctant to elevate "natives" to high posts in central administrations, preferring to govern the largely rural populations through indirect rule via pre-existing or newly invented traditional leaders (Berman, 1998: 325). This division of Africans into tribes for administrative convenience stimulated ethnic consciousness and divisions, further reinforced by the regionally uneven impact of new economic opportunities (through the cultivation of cash crops, for example) and uneven regional access to western-style education. (Eyoh, 1999: 268-278)

Following the independence period, governments in Angola and Zambia gravitated towards state and elite-managed development. A Western-educated elite promoted national integration and state building in a top-down style with the state apparatus as the main instrument of control. Keynesian theory held sway, and state intervention in all facets of the economy, aimed at developing human capital and bringing about technological change, was regarded as essential (Toye, 1993).

During the 1960's and early 1970's, most sub-Saharan economies achieved steady economic growth. The per capita GDP expanded at an annual rate of three per cent during this period (Rodrik, 1999: 68-69). The degree of economic diversification varied among countries, and foreign investment in manufacturing was insignificant in all but a few countries. Economic nationalism encouraged governments to invest directly in production through state-owned corporations, and/or to subsidize and protect favoured indigenous producers.

From 1965 to 1985, primary school enrolments rose from 41% of the eligible population to 68%, with a similar increase in enrolments at secondary institutions (Mkandawire and Soludo, 1999: 16). Tertiary education also expanded steadily, though with low enrolments in technical areas. (Brautigam, 1996: 92-93).

After independence, the new regimes failed to transform colonial economic structures, and the focus shifted from a common struggle to end colonial rule to a power struggle among the governing elite. The mainly rural populations were ethnically demarcated, encouraging elite power seekers to mobilise ethno-regional constituencies, thus reinforcing inter-ethnic tensions. New regimes personalised and expanded state power, co-opting rivals, and often violently repressing dissenters.

At the same time patron-client networks emerged, and relatively small private sectors grew wealthy because of their access to state-controlled resources. By the mid 1970s, vast social and regional inequalities were clearly demarcated (Nafziger, 1984: 21-34). The economic gulf between rural and urban people was widened by excessive taxation of agricultural producers and the urban bias of investment. Unequal access to education was also a significant factor, and rural women remained poorest of all.

In fact economic and political crises have reinforced each other. Ruling elites consolidated to maintain their grip on power, kindling a growing hostility to authoritarianism among urban groups, who blamed their hardships on the ruling elite's abuse of power. The end of the 1980s and early 1990s saw this hostility culminate in the rise of urban-based pro-democracy movements in most African countries.

Although the global economy expanded rapidly during this period (1950-1975) and stimulated modest economic success in SSA, developing economies remained vulnerable to external factors such as climatic changes and lower international prices.

Dependence on external forces was further increased by import substitution industrialisation (ISI), which depended on primary resource exports to finance the importation of machinery and management. Domestic markets were small, and technological capabilities for export–oriented manufacturing were not encouraged. Various measures intended to protect infant industries created inefficiency.

Most African economies declined after 1975, with annual per capita GDP growths of less than 1 per cent during the 1980s and continuing fall right into the early 1990s. (Notable exceptions were Botswana, Lesotho and Mauritius.) This growth rate was well below the average of other developing regions. (Collier and Gunning, in Mkandawire and Soludo, 1999: 7)

Agricultural and manufactured exports plummeted during these decades, magnifying Africa's marginality in the global economy (Sahn, Dorosh & Younger, 1997: 3-6). The countries worst affected were the socialist states of Congo-Brazzaville, Madagascar, Tanzania, Angola and Mozambique, although capitalist-oriented countries such as Kenya and Côte d'Ivoire were equally regarded as being in economic crisis. The troubled situation was often aggravated by political instability.

Analysts agree that the severe droughts in 1973 and the early '80s and '90's, together with negative international economic circumstances such as rocketing oil prices in 1973 and 1979, the global recession of the late 1970s and the ensuing decline in demand for primary commodities all played a major part in the decline of SSA's already weakened economies. Faced with declining export earnings and rising interest +rates, most SSA countries increased external borrowing to finance rising oil bills and food imports. (Rodrik, 1999: 105-107)

State deficiencies range from inefficiency and instability to corruption. Effective developmental states are rare in Africa, since they demand an autonomous administration, with political leaders and bureaucrats deeply committed to national development.

Aid flows to Zambia have increased steadily since the 1960s (Sassa and Carlsson, 1996:32), with major donors being the IMF and World Bank, as well as bilateral donors such as the European Union and the northern countries of Europe. Nevertheless the economic performance of that country remains poor. This supports this researcher's arguments that the effectiveness of aid depends on the conditions and circumstances under which it is given. In this case the result is that an authoritarian and corrupt government was able to remain in power for a long period without good governance, entrenching a higher level of mismanagement of resources. In addition, the way in which aid programmes were driven, including the policy for receiving aid, have, to a certain extent, hindered economic progress in Zambia.

These factors created conditions for little or no development and increasing poverty in most African countries, but it is the opinion of this researcher that the legacy of slavery and colonialism is the main cause of suffering in Africa. Indeed the results continue to this day as the continent is integrated into international trade, with primary commodity prices always set up to the disadvantage of the third world

Considering the high level of external support African countries have enjoyed, it must be said that Structural Adjustment Programmes (SAP's) have had only limited success. Though their impact has been uneven, from the mid 1980s stabilisation measures have managed to slow the downward economic spiral, thus contributing to some restoration of macro-economic stability. Reforms have been most effective in the liberalising of prices and foreign exchange levels, but progress in fiscal adjustment and institutional reforms has been limited.

This resumption of growth (at least until the 1997-98 East Asian economic collapse) has failed to reverse the widening performance gap between the African region and other developing regions. The common justification for liberalisation was the need to create an economic environment that would attract foreign investors; however the foreign investment boom did not occur, despite higher investment rates.

The limited benefit of the SAPs is clearly illustrated by their minimal effect (a 1% increase) on the income of rural producers. In the urban areas poverty has increased, mainly due to job losses of state employees, the removal of subsidies on social services and the elimination of price control. Many previously middle class people have become near poor.

Most African economies are still dependent on a very limited number of primary commodities, which are subject to externally determined prices. Moreover, Africa has become increasingly dependent on foreign products: food imports having risen to a level of around one third of domestic food production, and industry has become dependent on the importation spare parts, equipment and even raw materials. (Nissanke, 2000: 4 -5)

As has already been said, any strategy for development and transformation should be country and context-specific and must empower and encourage the local population, especially the poor, to participate in the decision-making process through local institutions. (Wignaraja, 1993: 9-10) Many African countries are changing to democracy, and there is much support for the previously controversial argument that economic development would provide an enabling environment for social and political progress.

Some political scholars believe that most foreign aid is currently channelled from government to government rather than from government to the needy. To change this state of affairs, governments, together with NGO's, have a critical role to play in poverty relief. It is worth repeating that the World Bank has noted (WDR, 2000/1:19-22) that aid is effective only as far as the policies of recipient countries are appropriate, and their institutions strong enough, to meet the needs of the marginalised sections of their populations. Better use of donor funding can also be furthered by stronger partnerships between donor and recipient countries.

Taking advantage of the grant facility existing under IDA12, the World Bank increased support to African countries that are emerging from conflict, to provide assistance to countries that were taking convincing steps toward social and economic recovery. The best example is the case of the Democratic Republic of Congo, which received a $50 million grant to help to stabilise the economy and address the problems of HIV/Aids that the country faces.[5]

The World Bank group is committed to helping African countries achieve growth and sustainable development through diversifying their economies. Such development must, however, not compromise future generations. With the NEPAD initiative it does seem that the international community – mainly the G7 and multilateral donors – are eager to mobilise resources from the private sector to foster development in Africa, and eliminate poverty in a sustainable way. [6] This is also shown in the acknowledgement of the International Conference on Financing (held in Monterrey, Mexico in 2002) that the development of developing countries should constitute a primary objective of the United Nations, avoiding duplication of work by other agencies .[7]

Most developed countries have an interest in creating development partnerships based on consensus reached with developing countries. These should include the full range of potential sources of financing, in particular domestic resources, while at the same time recognising the important role of external sources, such as the ODA, foreign direct investment, and official and private sector loans.

A lack of statistics undoubtedly hampers the long-term success rate of aid programmes. This cannot be seen as a prime reason for the lack of success of aid programme, but it must be accepted that it is a key factor; without reliable statistics it becomes difficult for aid programmes to achieve their best results. Governments of developing countries are now seen as primary sources of information critical to all aid programmes. Information about taxation, food security mechanisms, sector investment programmes (domestic and foreign, public and private), external debt management,

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[5] http://www.worldbank.org/annualreport/2002/chap0502.htm (Annual report 2002 – Region: Africa)

[6] Ibid

[7]http://www.socialwatch.org/2002/emg/national%20reports/canada2002_eng.htm.

(Yalnizyan, A, The road from Monterrey.)

savings and interest policies, and capital repatriation is needed if dependency levels are to be reduced.

The years 1997-2015 have been declared by the United Nations as the International Years for the Eradication Poverty, and it is time that government and civil society in southern Africa act in partnership with the international community to develop an agenda for affirmative action. Such action cannot be realised, however, in the absence of administrative capacity and political will. On the other hand, donors themselves are often guilty of promoting ideas, in countries such as Angola and Zambia that are not appropriate in the local context.

It can be empirically seen that Zambia has not performed well over the period 1989-2000, although the government was committed to Washington Consensus style reform. during this period (Scott, G.2002:405-406).

3.2. Background on recent IMF aid policies

The International Monetary Fund and the World Bank were created in July 1944, at a conference that gathered delegates from 45 countries. The main purpose in the formation of these institutions was to set down rules to govern international economic relations, and to establish multilateral institutions capable of providing stability to these relations. (Goddard et al, 1996: 215-229)

The objectives of the IMF were as follows:

-To facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economy policy.

-To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.

-To assist in the establishment of a multilateral system of payments in respect to current transactions between members and in the elimination of foreign exchange restrictions this, hampers the growth of world trade.

The IMF is currently considered a specialised agency of the United Nations, and has about 179 members, one of the more recent members being South Africa.

The highest authority of the Fund is the Board of Governors, on which each country has two representatives: a Governor and an Alternate Governor. This board meets once a year. There is also a 24-member Board of Executive Directors, which oversees the day-to-day operations of the Fund. The five largest contributors to the Fund (USA, UK, Germany, France and Japan) each appoint one Executive Director, while the other 19 are elected.

Decision-making is based on national quotas. A country's quota is related to national income, monetary reserves, trade balance and other economic indicators. Each quota also determines how much that nation must contribute to the Fund.. The nation with by far the largest quota, and thus decision-making power, is the USA, with nearly 18%. Germany, Japan, France and the UK follow with approximately 5% each, while Saudi Arabia holds about 3.5%. Thus, the six leading nations in the IMF have about 40% of the decision-making power. The entire African continent has less than 5% of the decision-making power.

One of the main activities of the IMF is the provision of short-term (1 to 3 year) loans. These are given on condition that structural adjustment programmes (SAPs) are set up in the recipient countries. SAPs are usually designed to correct a deficit, and can involve any of the following measures: abolishing or liberalising foreign exchange and import controls; reducing growth in the domestic money supply; increasing taxes and reducing government spending; abolishing food, fuel, and transportation subsidies; cutting government wages and seeking wage restraint from labour unions; dismantling price controls; privatising publicly owned firms; reducing restrictions on foreign investment; and depreciating the currency.

The IMF gives advice to governments on macroeconomic policies, helps manage crises and provides loans to help governments manage balance of payment problems. A new aid policy adopted by the IMF in 1999 has poverty reduction as a goal in addition to economic stability (ibid 223-230).

This new aid policy, the Poverty Reduction and Growth Facility (PRGF), is based on a loan fund of the IMF. The programme is operated in conjunction with the World Bank's Heavily Indebted Poor Country (HIPC) Initiative. The PRGF/HIPC involves partial debt cancellation for countries with no hope of paying back their foreign debt and for whom debt payments are draining their economy. However, the debt relief afforded by PRGF/HIPC is very modest, and will leave most poor countries paying nearly as much as they currently do. Most funded countries find that although the absolute amount of their debt may decline, the amounts they actually pay are not significantly reduced.

Countries must have a per capita GDP (in 1999) of less than US$885 to be eligible for this aid. Currently 77 countries qualify. Loans have a fixed interest rate of one half of a percent, and a repayment period of ten years, with a five and half year grace period without repaying the principal.

The HIPC-Initiative, an IMF programme established in 1996, aims to reduce the external debt of very poor countries to sustainable levels by reducing the proportion of national income spent on servicing debts. In order to qualify, a country's debt must be at least 150% of its exports. Assistance under the HIPC-Initiative is divided roughly between bilateral and multilateral creditors. By 2001 about two thirds of the total amount of US$19.5 billion has been committed to the 23 countries already qualify for relief. (IMF and World Bank, 2001:16)

Donor countries agreed to the enhanced HIPC initiative in the expectation that debt relief would be used to benefit the poor, but the debate remains open as to whether countries that gain relief from these initiatives can translate debt reduction into the alleviation of poverty and economic growth. No matter how generous debt relief is, the primary step towards economic recovery for countries like Angola and Zambia is to address properly the causes that triggered the debt problem in the fist place.

3.3. Background on recent WB policies

The World Bank was originally instituted to aid in the reconstruction of post-war Europe; its current purpose is to assist the economic development of nations by making loans where private capital is not available. Its stated goals are the reduction of poverty in developing countries, the protection of the environment, and the promotion of both private sector and human resource development. The World Bank is a specialised agency of the United Nations, with around 177 member countries. (Only members of the IMF may be considered for membership.) The Board of Governors consists of one representative from each country and meets once a year. Day to day decision-making is delegated by the Governors to 24 Executive Directors, appointed much like those of the IMF. Most decisions are made by consensus, with the Directors deciding on Bank policy and all credit proposals. At the annual meetings the Directors present an audit of accounts, an administrative budget, and other pertinent matters.

The World Bank contains two development loan institutions: the International Bank for Reconstruction and Development (IBRD), for middle-income and creditworthy poorer countries, and the International Development Association (IDA).

The World Bank works closely in conjunction with the IMF in performing its tasks. It makes long-term loans, repayable in up to 15 years, usually for projects seen as likely to offer a commercially viable rate of return. Recently, the World Bank has begun structural adjustment lending, which supports changes in economic structure rather than financing specific projects. The Bank's programmes for alleviating poverty have two main elements: the compiling of country-specific assessments, and the formulation of country-specific strategies to ensure that projects support and complement local programmes (World Bank, 1990: 2-3). The preparation of a Poverty Reduction Strategy Paper (PRSP) constitutes a key condition for HIPC's to qualify for relief. Analysts believe that Poverty Reduction Strategies are the most efficient aid mechanism designed by the World Bank and IMF. (IMF and World Bank, 2001:2-3)

Unfortunately policy and programme design can be misled by a lack of appreciation of the differences between terms such as "alleviation", "reduction", "relief", "eradication" and "elimination".

Poverty relief or alleviation pertains to a range of short-term palliative measures aimed at easing immediate suffering in the case of emergency, for example aid for victims of wars and other conflicts (as in case of Angola) or of drought and famine.

Poverty reduction programmes, while also involving palliative measures, are intended to raise the quality of life beyond the immediate necessities of survival through wider interventions, for example in education and health care. These strategies require that the poor have the productive assets they need to maintain sustainable livelihoods and the opportunity to develop greater control over the resources on which their survival depends.

The main argument of those calling for debt cancellation is that the cost of debt-servicing seriously makes it nearly impossible for governments to provide basic social amenities to their poor. (IMF and World Bank, 2001: 2-3)

Public expenditure in both Angola and Zambia has not been any more pro-poor during the 1990s than in the 1970s and this trend can only be reversed if the public debt problem is brought under control. Both countries thus need to seek relief under the enhanced initiative if they are to come anywhere near their target of moving to middle income status by the year 2020.

According to Dollar and Kray (in Hammer et al, 2001: 15) "growth is good for the poor". Although some have challenged this generalisation (e.g. Ravallion, 2001), it is undoubtedly true that significant poverty reduction in Angola and Zambia cannot be achieved with a growth rate such as that of 2001. The population growing at an unforeseen rate has adversely affected GDP growth rate in Angola.

There is no evidence that Structural Adjustment (SA) lending was inherently detrimental to the poor. In fact countries that carried out SA did better in terms of both growth and poverty reduction than those that did not.

Criticism of the "Bretton Woods" (i.e. IMF) institutions has come from the entire spectrum of political thought. The "aid is imperialism" school believes that foreign aid is being used by the rich against the poor, while more conservative critics believe that foreign aid hinders the market forces that will eventually correct the situation.

Finally, it is important to stress that, in its first two years, the PRSP approach has had considerable success. This success may be based mainly on the broad consultative process, which involved the recipient countries, thus including the concept of ownership as a key factor.[8]

3.4. Is there still a Washington Consensus on Aid or is there difference of opinion between the IMF and the World Bank?

The term "Washington Consensus" was attributed to the two Bretton Woods institutions because they were aligned on policy design for the developing world, which reinforced a certain level of consensus within the two institutions. Since then there have been many changes, but is difficult to say that the Washington Consensus no longer exits. The feeling of this researcher is that it has evolved away from the old Washington Consensus, with some differences of opinion between the staff of the two institutions.

As regards aid for poverty alleviation, the assumption is that the IMF and WB are still working together, although, under the new paradigm, with a certain level of reluctance. in terms of philosophy and methodology. The differences of opinion may be a question of

[8] http://www.worldbank.org/annualreport/2002/chap0502.htm/ (World Bank Annual Report 2002, Region: Africa)

power relations, but the two institutions do still cooperate on some big programmes such as poverty reduction.

It appears to be difficult for an institution like the IMF to abandon completely its neo-liberal pragmatic philosophy by changing and embracing the new approach emphasised by Joseph Stiglitz who was a vice President and chief economist of the World Bank from 1996 till the end of 1999. Organizational change happened within the World Bank thanks also to the President of the Bank, James. Wolfensohn. Stiglitz and Wolfensohn believe that support for developing countries should focus on the critical needs of the poor rather than on the rhetoric of technocrats.

It is still too early to judge the World Bank's new paradigm; the only thing which this researcher can substantiate is that new elements on development perspective have been introduced, such as giving the State a role to play instead being minimalist. This should be seen as a complement to markets and not a substitute.

An important part of the policy introduced by Stiglitz was that any study of the economic performance of a country by Washington Consensus experts must bring in epistemologies such as those of the political and social sciences, instead of just those of economists. This would give a better understanding of the points of view of those who have not hitherto been integrated into programme design.

The initial focus of the Washington Consensus was on structural adjustment programmes, aimed at the correction of macroeconomic fundamentals. These would be the main pre-condition of funding, to get the highly indebted countries on track to achieve sustainable growth. This was intended to stop the systematic over-valuation of national currencies (mainly focusing on import substitution strategies), eliminate all existing bias against exporting, reduce the budget deficit and get the state out of economic activities which the private sector could perform more effectively.

These ideas became characterised as the "Washington Consensus" in article of John Williamson (1990) which focused on ten headings: fiscal discipline, redirection of public expenditures priorities, tax reform, financial liberalisation, unified exchange rate at a competitive level, trade liberalisation and the abolishment of barriers impeding foreign direct investment, privatisation of state enterprises, deregulation and guarantee of property rights.

It had become clear that strategies designed to achieve very rapid adjustment of the global economic inequalities had had the short term effect of depressing economic growth and moreover did not lead automatically to a structural adjustment resulting in a new basis for sustainable economic growth and social stability. Despite this, the compensatory mechanisms (viz. the WB's social funds and SAPs), developed for what was called a temporary problem, were considered adequate.

By the late 1990s, however, new criticisms emerged within the Bretton Woods group: though the imposition of Washington Consensus policies had resulted in structural changes in most Latin American countries, very little progress had been registered in other poor countries, particularly sub-Saharan African.

The proliferation of studies on economic marginalisation, poverty, political conflicts etc. since 1990 resulted in some degree of re-thinking by World Bank policy designers. The major paradigm shift, which now includes the IMF, after the non-success of their policy reforms in East Asia, was the 1999 crisis in that region, followed by successive crises in Russia, Brazil and lastly Argentina. (Hein, 2001:5)

There is today some degree of distance of the World Bank from the original vision of the Washington Consensus, which stressed the importance of poverty reduction on an institutional level. This researcher argues that Stiglitz's programmatic and theoretical shift did not occur in the isolated learning processes within the World Bank but reflected paradigm shifts within the overlapping epistemic communities, linked together by an international vision of development.

The policies of Stiglitz and the President of the World Bank clearly emphasised that the global economy is very aggressive and can create serious problems in developing societies. Even if a country invests in education and health, puts strong macroeconomic fundamentals in place, and has a good infrastructure and modern communications – even if all these are in place, in the end, if there are not effective accounting standards, their development is endangered and will not be sustainable.

Another angle they emphasised was that countries can attract foreign capital, can build banking and financial systems, can deliver growth and invest in some of their people, but if they marginalise the poor, if their policies do not include women and indigenous minorities, their development will not last forever. (Hein, W, 2001:6)

This shift of the World Bank from neo-classical liberalism to a participatory approach has created space for policy bargaining between the Bretton Woods and the third World.

In the old functioning of the Washington Consensus the role of the state was minimal and the imperfections in the development of society were resolved by market forces, with the private sector as an important agent of the economy. Today, however, it seems that the market is no longer leading and the State has also become an important instrument for the development and economic growth.

As regards this perspective, this researcher assumes that there is a difference of opinion between the two institutions, in spite of the fact that they seem to be embarking together on the new policy, with the same goals and aims.

Although there seems to have been an important change within the Washington Consensus, some say that this was just a shift in terms of methodology, and things are still the same. However when policy design of the PRSP is prepared within the recipient countries (with the assistance of the IMF and the World Bank) the degree of ownership of the recipient countries is now somewhat higher.

In concluding this chapter it can be argued that the evolution of aid policies has not yet meet the expectations of either donors or recipient countries. This could be related to the imposition of programmes by donor countries and the fact that aid policies were governed by what Paul Streeten argues were the political game interests of the donor countries, especially during the cold war era.

Recipient countries aligned with western block policy received stronger support, though this aid was mainly focused at bilateral level on issues of military support rather than on assistance in economic development. Until the early 1980s the Western aid did not focus on development, rather it was mainly concerns than on security.

Most of the African countries that gained independence through a liberation struggle with a colonial power (as the case of Angola and Zambia) aligned with the socialist block, which channelled aid from the Soviet Union and other European socialist countries. Again aid was mostly confined to the military area rather than development. This shows clearly that, in as far as aid was given, it was given merely on the grounds of ideological motivation rather than for humanitarian or development reasons. By the early 1980s only the multilateral agencies had started to give some aid support to Angola because of the sudden oil boom. This support was nevertheless only given on condition of economic reform towards a market system.

To sum up, this researcher assumes that the Bretton Woods institutions have abandoned the methodology of the Washington Consensus. The World Bank seems more willing than the IMF to embrace the new post Washington Consensus policy design and become a more democratic institution. For the IMF, the most important factors are still the macro-economic fundamentals for growth and economic development. It does not see – as the World Bank does – a need for incorporating into its spectrum the analyses of other components of society, especially social and cultural aspects. A dramatic example of the antagonism between the two Bretton Woods institutions is their different analyses of the East Asian crisis.

Despite these differences, this researcher believes that the formality of receiving aid assistance has not changed very significantly: it is still entrenched with a level of conditionality. On the other hand, at the time of the original application of the Washington Consensus, there was no monitoring system for aid given to a country, and conditionalities were not concerned with human rights or good governance. Today, however, these constitute one of the main conditions that a recipient country must fulfil in order to receive foreign aid assistance.

CHAPTER FOUR

The effects of multilateral aid on poverty in Zambia and Angola

Multilateral institutions provide most of their assistance directly to governments of recipient countries, which tends to increase the power of these governments. These organisations also often lack the experience necessary for supporting the institutions needed to protect property rights, enforce contracts and maintain the rule of law. Bilateral donors, on the other hand, tend to focus on strengthening civil society through the creation of labour unions, citizens groups and watchdog organisations that serve as a check on government power.

Bilateral donors often concentrate their aid on selected recipient countries, developing close relationships with the recipients, thus improving the effectiveness of their aid. Cultural or linguistic similarities promote effective communication across national political boundaries. For example, British aid programmes are often directed at its former colonies, with which it maintains close ties. Such relationships make it easier for the donor to give technical assistance and better understand what kind of aid programmes might achieve the best results for the recipient (Cassen et al, 1986: 209).

Donor policies that may lessen the usefulness of aid include giving aid for political reasons; tying aid to the purchase of the donor's goods and services; and imposing import quotas. Politically motivated aid often targets countries of political or strategic importance to the donor. Multilateral aid, on the other hand, tends to be less motivated by political agendas than bilateral, and offers more opportunity for dialogue on contested issues, for example the question of how donors should monitor the implementation of a certain project.

This researcher assumes, though rather tentatively, that multilateral aid assistance is much better than bilateral, because it accommodates, to a certain extent, the main objectives of aid assistance.

4.1. What has happened to aid in the 1990s?

This chapter will provide a brief summary of the effects of multilateral aid on poverty in Angola and Zambia, giving some aspects of its relationship to the ongoing debate about the role and effectiveness of foreign aid. aid. This part of the paper will not attempt to address the question of why aid has been declining, though it will illustrate some of the facts related to this decline in these two countries, nor will it attempt to answer the question of whether or not aid "works".

In addition to other problems, donors and recipients of aid find themselves in a world of complex circumstances, influenced by a variety of interrelated factors such as technological advances, changes in resource accumulation and global population growth, all operating within changing environments characterised by frequent, and sometimes dramatic, political and institutional transformations.

According to the Organization for Economic Cooperation and Development, the close of the Cold War brought to an end most politically motivated aid strategies. Donor states have become more selective and will not give aid to countries, which seem unwilling to make the reforms demanded of them.

Since the time when aid was first given, enormous changes have occurred across the globe, affecting aid and the debate on aid. The central role of the state in driving "development" has been weakened. In the south, a number of repressive regimes have recently fallen; other states have collapsed or come near to collapse, particularly in the Great Lakes region of Africa. Donor and recipient governments and intergovernmental organisations now see governments as a hindrance to development rather than help. On the other hand, globalisation is transforming the international economy: private finance flow to developing countries has tripled over the last five years and is now four times the size of large aid flows. In base of some opinions the private sector has been seen as more efficient in delivering traditional state functions.

With the end of the cold war there has been a decline in aid assistance to southern countries by some western international donors, who saw no reason for giving aid previously tied to political agendas. Five years ago many were still hoping for a large peace dividend and a new world order, but such voices have since become muted. Despite the drop in military spending between 1987 and 1995, by the end of that period aid levels had fallen by 14 per cent in real terms. The year 1996 saw aid fall by a further 4.2%, from US$58.800 million to US$55.100 million. This was the lowest level of assistance funding since statistics were first kept in 1950 (OECD press release document, 18 June 1997). Several reasons for this decrease can be suggested, for example the domestic budgets of donors countries are under pressure, and factors like private financial flow seem more important than debt relief.

Economic globalisation and reductions in the role of the state appear to question the relevance of aid to development (OECD-Press release Document, 18 June 1997). In the case of aid used to benefit poor people it is very clear that poverty and inequality continue to worsen in specific regions, mainly in sub-Saharan Africa. Most of the world's poorest countries are unable to attract other external resources and remain dependent on aid assistance. The process of globalisation calls for a creative strategies in order to tackle poverty.

This researcher assumes that there are few tools available to tackle the problem directly, although aid is still crucial for poverty reduction – as long as it is delivered effectively, in areas of productive capacity, incorporating the poor into the process.

Poverty reduction is a vital element in the development of cooperation strategies between North and South through multilateral institutions, with key players being the World Bank and IMF, thus covering trade, investment, governance and human rights. The success or failure of foreign aid assistance should be judged in that wider context and not as isolated from other economic, social or political factors.

Although poverty remains a problem (for instance Zambia, as has been mentioned, has not yet succeed in bringing its people out of poverty, despite having received foreign aid since the 1960s) income growth has been dramatic in sub-Saharan Africa, and it appears that many of the goals linked to economic development are being achieved. There is a transition to democracy in many countries, social development is taking place, and markets are opening, permitting foreign trade and investment. There is now much support for the previously controversial argument that economic development can provide an enabling environment for social and political progress.

International donors have had a greater influence on political transformation in Africa than in any other region. Since the early 1990s, bilateral donors have insisted on the introduction of multi-party systems – including in Angola and Zambia. In both these countries, however, this has meant that aid was often shared by many projects, making the total effort less effective. From the mid-1990s, judiciary reform and the rule of law have become dominant in terms of aid volume, and the bulk of assistance has been geared towards accountability and the reduction of executive dominance.

Mention should be made here of the "New Plan for Africa's Development" (NEPAD), an initiative devised and driven by African leaders. NEPAD aims to establish stronger and more equitable partnerships with the Northern hemisphere. This researcher has certain reservations about this programme, based on an underlying paradox: On the one hand, NEPAD expounds a vision of African ownership driving sustainable development and economic growth on the continent, and aims to eradicate poverty by entering into Northern markets and competing on an equal basis with the developed world; while on the other it continues to ask for aid from the developed world to assist African countries in achieving the levels of industrialisation that it requires if it is to compete with Northern countries.

It is the opinion of this researcher that, in terms of free trade, NEPAD has introduced the very paradigm that is the cause of the current African crisis, with its leaders proclaiming their "ownership vision". Although it is clear that Africa cannot remain outside the mainstream world economy, other avenues for trade should be explored in order to avoid the neo-liberal paradigm.

Financial assistance comes in many forms, varying from grants and loans for bilateral projects, to credit from multilateral agencies for underwriting development and providing aid for "structural" economic reform. Other forms of foreign assistance include security programmes, disaster relief and subsidised crop shipments. There is, however, little evidence to suggest that official cash transfers, whether bilateral or multilateral, actually do much to advance growth or stability in the developing world.

Crawford (2000:1) asserts that the aid policies of Northern donor governments since the 1990s represent a major change from previous approaches. On the one hand they give support through aid projects, and, on the other, restrict assistance if human rights violations or reversals in the democratisation process are perceived.

In fact, this hardly represents a "major change". Foreign financial assistance has always been subject to conditions and sanctions. Recent aid policy is basically just an expansion of the neo-liberal approach of the 1980s, which called for structural change through IMF and World Bank SAPs. The dimension of political conditionality was simply added to this. As Crawford points out, conditionality breeds resentment because of the implication of donor superiority in presuming to know what solutions are best for recipient countries. (2000:2).

Up till the present, little attention has been focused on political economy issues, such as how politics influences aid allocations and their results. An understanding of why richer countries are willing to transfer resources to poor countries is essential for any useful prediction of future aid flows. Since aid delivery also depends on the willingness of recipients to agree to donors' conditions, the political motivations of those in power in recipient states must also be considered. In terms of such an approach, aid is viewed as a policy action that reflects donors' political and economic goals, which in turn are products of a specific culture, its institutions, power distributions and the dynamics of comparative interests.

A country that relies too much and too often on foreign aid may, however, find itself forced to follow policies and to support programmes which may conflict with its own ideologies and goals, and undermine its own economic strategies.

The main stated objectives of foreign aid to developing countries are poverty reduction and emergency humanitarian relief. However many critics have argued that foreign assistance is essentially a way for Northern donor countries to make recipient countries more dependent on them. These critics also claim that aid programmes have consistently failed to improve the living standard of the poor. Such considerations, coupled with conditionality issues, have moved developing nations to question whether foreign assistance does not come at too high a price.

4.2. What has happened to poverty in Angola and Zambia: A Comparative Case Study

4.2.1. Brief economic overview

Indications are that the Angolan economy is recovering. Indicators compiled by the World Bank and IMF show that the GDP is increasing and inflation is diminishing. Foreign exchange reserves have grown and the national debt has decreased. Compared to four years ago, the currency is stable. In fact, the World Fact Book stresses that the economy of Angola grew, 5 per cent of the GDP, in 2000.[9] This stabilising is due in part to government reforms, but also to a significant increase in oil production[10]. Inflation has

[9] Angola receives the bulk of its income from exports of natural resources: refined petroleum oil accounts for more than US$ 3 billion, refined petroleum for about $87 million and diamonds for about $188 million in foreign earnings.

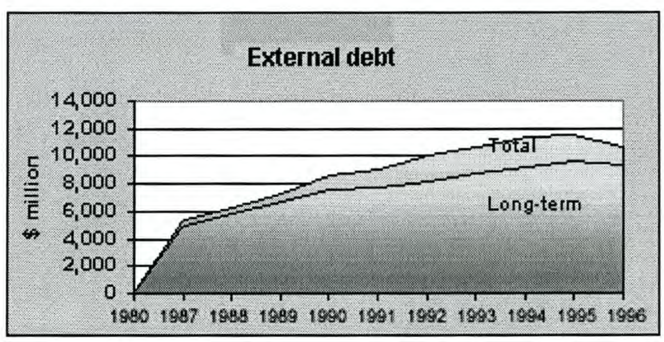
[10] http://www.photius.com/wfb2001/angola/angola_economy.html (CIA World Fact Book 2001)

dropped from 329 per cent in 1999 to about 220 per cent. Some economists predict that it might decrease to a level of between 20 to 35 per cent by the first quarter of 2003.

Foreign exchange reserves increased from a low US$49 million in the first quarter of 1999 to $476 million by the end of that year. At the same time foreign debt declined from US$12.2 billion in 1998 to $11.6 billion, with external debt servicing falling from US$1.2 billion in 1999 to about US$388 million in 2000.

The new currency, the Kwanza (Kz), introduced at the end of 1999, has depreciated about 15 per cent, while the floating exchange rate holds steady and the difference between official and parallel market rates fluctuates by less than two per cent.

Graph 2: The growth of Angola's external debt, 1980-1996



Source: Jubilee 2000/Angola

The biggest portion of Angolan foreign debt is owed to Russia, for expenditures on military equipment during the period of war. The above graph shows the level of Angola's foreign debt, which has decreased slightly over the last few years.

These positive markers suggest that the policy of economic reform embraced by the Angolan government on the advice of the World Bank and IMF is bearing fruit. However, much more still needs to be done if Angola is to regain its strong pre-independence economy. It is the opinion of this researcher that continued foreign aid, can bring effect economic recovery, including the repair of infrastructure damaged during the civil war. In fact, Angola could become one of the major economies in Africa by the year 2020/25. This optimistic view is based on the country's vast potential in terms of mineral resources, and a land fertility of 85 to 90 per cent. (The land has not yet be en cleared of mines and thus cannot yet be appropriated for agriculture.)

Compared to Angola, Zambia is a poor country. It has a mixed economy with both public and private sector participation, and is heavily dependent on the production and export of copper, and on agriculture. The inflation rate (which was 34 per cent in 1995) continues to be a major concern to the government. However, apart from poor agricultural production, the economic performance last year (2001) registered an improvement, with a real GDP growth of 5.2 per cent, and the rate of inflation declining from 30.1 to 18.7 per cent. In overall of fiscal performance during 2001, the result was mixed.[11]

In 1995, the GDP of Zambia was estimated at US$9.7 billion, with a per capita GDP of US$1,060. Under the continued free market economic reform programme of the Chiluba government, new taxes slowed economic growth from 3 to 5 per cent in 1996. However this was offset by good rains during 1995-96, which produced a large maize harvest (the staple food).

Agriculture accounts for approximately 32 per cent of Zambia's GDP and employs about 85 per cent of the workforce. Mineral industries comprise about 5 per cent of the GDP, with copper and its by-products (mainly cobalt) as the most important minerals. Manufacturing industries (including mining) produce 20% of the GDP but employ only 6 per cent of the workforce. Manufactured products include textiles, foodstuffs, beverages and chemicals. The service industry accounts for about 43 per cent of the GDP and employs about 9 per cent of the workforce, with wildlife and unspoilt scenery as the main tourist attractions. The labour force is about 3.4 million strong. Waged employment has stagnated along with the economy; the state is the largest employer, although the civil service and parastatal employment have both been cut, and unemployment has risen sharply.

In 1996, the formal employment figure was 9 per cent of the total labour force, compared to around 22 per cent in 1991. The minimum wage is insufficient to provide an adequate living standard, and many wage earners must supplement their incomes through second jobs, subsistence farming or reliance on the extended family.[12]

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[11] http://www.imf.org/External/NP/LOI/2002/zmb/01/index.htm (Zambia, letter of intent, technical.)

[12] http://www.imf.org/External/NP/LOI/2002/zmb/01/index.htm (Zambia, letter of intent, technical)

External factors in the collapse of the Zambian economy included a drop in copper prices on the world market The prolonged drought of the past few decades restricted agriculture and created huge food shortages. However, governmental mismanagement and corruption is probably the main problem. In the mid-1990s, the Zambian government implemented a 3-year SAP in partnership with the IMF and World Bank. The programme for 1995/96 and 1997/98 produced a real economic growth of 6 per cent, a reduction of inflation to 10 per cent, and a significant increase in foreign exchange reserves. Yet, through lack of sound economic policy under the Chiluba government, the economy has stagnated., forcing many into poverty, with the gap between the elite and the lowest socio-economic groups widening in the last decade.

4.2.2. The role of the State in creating poverty

"[The] common denominator that has accompanied great human suffering and armed conflict is based on a political context in which the State itself has either collapsed, been contested or been seriously weakened". (Cliffe and Luckham, in Cilliers et al, 2000: 117-8)

The above quotation is clearly applicable to Angola. Throughout the period of the civil war, the Angolan state was unable to execute its primary functions of governance and the provision of basic services, including poverty relief. The linkage of state and civil society prevented any serious challenge to state policy.

The Zambian situation is not comparable. This country has enjoyed peace ever since independence, and the subsequent poverty and lack of development can only be attributed to the weakness of the state in terms of performing its primary functions of social services delivery to the people.

Applying Max Webber's classical concept of State to Angola, Cilliers (1997) characterises it as effectively "stateless". The present researcher would contest this point. It is important to bear the context in mind when applying such concepts, and it would seem that Cilliers has not taken into account the external hindrances that made it impossible for the state to function in the conventional sense throughout the war.

Although Cilliers conclusion is valid in terms of Webber's concept of State[13] it can hardly be rigidly applied to war-torn Angola.

Conversely, according to Webber's concept, Zambia could arguably be deemed "stateless". Given the political stability and the relative economic prosperity at independence, the state could have been expected to execute its responsibilities of delivering social services and promoting an equitable society and sustainable growth. Under such conditions one would not expect poverty to become a major concern.

The greatest hope for poverty reduction in Zambia lies in a resumption of economic growth. The authorities have embarked on a strategy of re-orienting public expenditure to the social sector and providing training and limited financial support to workers laid off during the privatisation process. In addition, drought-relief programmes are currently being run with donor-provided maize.

The eradication of poverty is central to any policy for addressing the problems of poor countries. The operative word here is *eradication.* Poverty *alleviation* treats people as the objects of welfare assistance, providing them with the minimum requirements for survival, but not with the means to rise above their poverty. Poverty *eradication*, on the other hand, involves the population in policy decisions, shaping for them a future of sustainable self-sufficiency.

4.2.3. The dimensions of foreign assistance

a) Angola

The greatest measure of the success of the Angolan government lies in the fact that it has been able to sustain its commitment to economic and political reform throughout the war with positive results. Hodge (1993: 165) points out that these reforms have been ongoing since 1987, with the SEF (Saneamento Economico-Financeiro).

The first steps taken by the single-party Angolan government were carried out in the Second Republic that resulted from the democratic elections of October 1992[14]. This shows a serious ongoing commitment to economic reform, reflected in the abandonment

[13] This includes such features as a compulsory association with territorial basis, sovereign jurisdiction, continuous organisation and monopoly of force over territory and population.

[14] In spite of contention from the MPLA, which led to a second ballot that was subsequently also rejected by the UNITA, these elections were deemed free and fair by United Nations and other international observers.

of the central planning economic system in favour of a market-oriented economy, the improvement in public accounting procedures and the easing of state controls in order to encourage private investment.

As a result, major financial institutions like the IMF, the World Bank and the African Development Bank have pledged increased assistance to the country. For example, in April 2000, the Angolan government signed an agreement with the IMF to set up a Staff Monitored Program (SMP) to identify and implement further broad measures to ensure continued economic growth. These include: reductions in state spending, the establishment of greater transparency in public accounting, ending extra-budgetary expenditures, accelerating privatisation, liberalising foreign trade, adjusting tariffs, revising tax laws, and auditing the oil sector[15].

The SMP agreement is aimed at helping Angola normalise its relations with creditors and secure international support for economic rehabilitation. The IMF has undertaken to provide a full assistance programme under the Poverty Reduction and Growth Facility when the SMP has been fully implemented (Tvedten, 2000:11). This entails a new policy of transparency on the part of the IMF, with the recipient country monitoring its accounts through an independent auditing institution.

The Angolan government is thus gradually withdrawing from direct participation in the economy, acting instead as facilitator for economic activity. Since 1995 it has sold more than 272 state-owned companies, and has also invited private sector participation in the state-owned utility, telecommunications and insurance companies. The government has announced new regulations to reduce or eliminate business taxes, and has pledged to continue floating the exchange rate. Fuel subsidies have been removed. Moreover new regulations require all foreign exchange transactions related to oil revenue to be registered with the Central Bank and other relevant institutions.

In spite of all this reform, there has not been a significant influx of foreign aid into the country. The contribution of the international donor community seems small both in terms of the country's need and in comparison with assistance rendered in other countries,

[15] The audit is conducted by KPMG, an international company contracted for a period of 30 months. One of the aims of this measure is to make a diagnostic study of the sector and to improve transparency and create a management capacity that will allow permanent and systematic monitoring of the income of oil companies. The audit is still ongoing, and has been the cause of considerable controversy between the IMF and the Angolan government, who object to it as an invasion of the country's sovereignty (Tvedten, 2000:11). The present researcher tends to agree with the Angolan government on this issue.

such as Zambia The reason appears to be the belief of donor countries that, through its oil and diamond revenues, Angola should share in the cost of humanitarian aid schemes and rehabilitation programmes. This attitude seems inconsistent with IMF, World Bank and United Nations practice in other developing countries.

It is hoped that this attitude will change in the light of the new-found political stability in Angola, which is creating all the necessary conditions for the country to become prosperous. However, the end of the civil war brings its own demands. Foreign support is needed for the re-allocation and successful re-integration of demobilised UNITA soldiers and their families. In April 2002, the government launched an urgent appeal for international support of its Public Investment Programme to facilitate the country's transition to peace.

The programme includes the rehabilitation of economic and social infrastructure in order to create a positive environment for development and economic activity, the delivery of health care and education, facilitating the movement of people and goods through better connections between provinces and towns, and organisation- and capacity-building in local administrations.

There has been a positive response from the international community, with some engagement from multi-lateral agencies and at bilateral level. According to Relief Web (2002/02/08), international donors have responded to appeals for humanitarian aid by committing a further US$27 million in July 2002. However, after seven months, the United Nations Consolidated Inter-Agency Appeal for Angola has raised only 45.21 percent of its total needs for the year.[16]

The USA continues to be by far the largest donor to Angola, donating US$61.5 million (59 per cent of the total received by the Appeal). These donations are predominantly in the form of food aid (over 80 per cent of the total contribution) – the increased yield from genetically modified crops led to serious overproduction in the US, which this year has been of vital benefit to Angola and other southern African countries. The European Commission is the second largest donor, contributing US$13.7 million (13 per cent of the total), with food aid accounting for 96 per cent.

[16] http://www.reliefweb.int. (Angola food aid programme/2002/02/08)

Significant aid increases are most apparent in the resources available to the World Food Programme (WFP), which received an additional US$20.5 million in July 2002, taking its total resources available by the end of July to US$82.3 million. Even this brings the WFP up to only 54.89 per cent of its total requirements for the year. With its current funding, the WFP has assisted more than 1.14 million people in 17 provinces in Angola. In July 2002 it distributed nearly 15 000 tons of food aid.[17]

The drought currently affecting much of southern Africa has not been as severe in Angola. Nevertheless, cereal production is expected to be lower than last year, although cassava production is expected to increase by seven per cent to 5.6 million tons. The country will need to import 725,000 tons of cereal, of which 504,000 tons will be commercial imports, leaving a shortfall of 221,000 tons to be met by food aid. In terms of agricultural assistance, the United Nations Food and Agricultural Organization (FAO) have received an additional US$3.2 million and now have 99 per cent of its 2002 budget covered. Among other things, the FAO will be distributing seeds and tools to up to half a million families during the next agricultural season.[18]

The above example of donor involvement further illustrates the fact that foreign aid to Angola has been mainly confined to the humanitarian aid schemes, rather than focusing on poverty reduction and economic support programmes, as it has in other countries. The international donor community and financial institutions continue to raise questions about financial transparency and budget allocations. For its part, the Angolan government is working harder than ever to bring about macro-economic stability and the normalisation of prices that will create an enabling environment for sustainable development (Programa do Governo para o Ano de 2002, 2002: 2).

b) Zambia

In order to fulfil the commitments it made at the 1995 United Nations Summit on Social Development in Copenhagen, the Zambian government has developed an ambitious "National Poverty Reduction Plan", aimed at reducing the number of people living in poverty from the 70 to 50 per cent by 2004. It includes the following strategies: achieving broad-based economic growth through agriculture and rural development;

[17] http://www.reliefweb.int (Angola-Humanitarian aid programme)

[18] http://www.reliefweb.int/w/rwb.nsf/ and http://www.fao.org. (Food aid programme to Angola)

providing physical public infrastructure; increasing the productivity of urban micro-enterprises and the informal sector; developing human resources, and coordinating, monitoring and evaluating poverty reduction programmes and activities.

The IMF recently completed a fourth review of Zambia's performance under an economic programme supplied by the Poverty Reduction and Growth Facility (PRGF) and approved a further US$64 million in support of the National Poverty Reduction Plan. This brings the resources available to Zambia during the current review term to about US$160 million, with a probable further increase of US$31 million in February 2003. Since the PRGF supported programmes were approved in 1999, Zambia has drawn about US$135 million under this financing arrangement.[19]

The Executive Board of the IMF has also approved a request for around US$160 million in 2002 as interim assistance under the enhanced "Heavily Indebted Poor Countries" initiative. This represents close to 70 per cent of Zambia's principal obligations to the IMF in 2002 and brings the total assistance by this institution under the HIPC scheme to close to US$301.5 million.[20]

The PRGF is a concessional facility for low-income countries. Over time, it is supposed to become integrated with country-owned poverty reduction strategies adopted in a participatory process involving civil society and other development partners. These strategies will then be articulated in a Poverty Reduction Strategy Paper (PRSP). PRGF loans carry an annual interest rate of 0.5 per cent and are payable over 10 years with a 5-year period on principal payment.

Although there were over-runs in expenditures in the run up to national elections and the overall fiscal deficit exceed the target in 2002, the Zambian government has taken the necessary corrective measures, including the adoption of the 2002 budget. The IMF granted waivers for non-observance of the end of September 2001 performance criteria on domestic arrears, and of the end of December 2001 performance criteria on net domestic assets of the Bank of Zambia, as well as net bank claims by government, gross international reserves and non-accumulation of external payment arrears.

[19] http://www.imf.org/External/NP/LOI/2002/zmb/01/index.htm (Zambia, letter of intent, technical)

[20] http://www.imf.org/External/NP/LOI/2002/zmb/01/index.htm (Zambia, letter of intent, technical)

The recent IMF review stressed that Zambia now faces a situation of poor economic and financial prospects as a result of the continuing drought and the recent announcement by Anglo-American that it plans to discontinue mining operations in Zambia. The crucial mid-term economic challenge will thus be to sustain the recent gains in macro-economic stability and economic growth, in order to create conditions for economic diversification and sustainable growth.[21]

The Zambian government is optimistic about the success of their National Poverty Reduction Plan. However there are two major factors that could seriously undermine its outcome, namely the apparent lack of political will to make poverty reduction a national priority, and a lack of sufficient funding to make it a practical reality. Compared to a country such as Angola, Zambia has few resources from which to generate revenue and fewer economic alternatives. The government will have to commit to a massive stimulation of production in other sectors, notably agriculture, as well as the creation of infrastructure and the rehabilitation of local industry in order to promote sustainable development.

4.2.4. Development prospects

Angola and Zambia are both afflicted by desperate poverty. Both have tried to address their economic and developmental problems through economic reforms, including World Bank and IMF sponsored Structural Adjustment Programs. Yet they remain two of the poorest countries in the world.

Angola and Zambia inherited a similar set of political and economic impediments at independence, which significantly contributed to their poor subsequent development record. Each country was also subject to unique internal challenges that have brought different dimensions to their prevailing poverty.

The IMF Staff Country Report of 2002 (2000: 19) characterises Angola as having the poorest social conditions of any sub-Saharan country. The present researcher would challenge such a simplistic view of the situation. The prolonged civil war caused vast dislocation of rural people who became concentrated in urban centres. These centres did not have the infrastructure to provide basic services to the vast numbers of refugees. In

[21] http://www.imf.org/External/NP/LOI/2002/zmb/01/index.htm (Zambia, letter of intent, technical)

addition, the war virtually halted the movement of goods within the country, and agricultural products could not be transported from the areas of production to the centres of consumption. These and other related factors forced people into the kind of destitution defined in Chapter 1 as transitory poverty which this researcher believes to be qualitatively different from the situation in Zambia, which is one of chronic poverty.

It is difficult to judge whether international financial institutions have provided adequate support to poverty reduction in these two countries. In comparative terms, it would seem that Zambia has received more aid from the World Bank and IMF in terms of percentage of GDP. It is among the first group of 43 countries to benefit from the HIPC programme, which concentrates on resource allocation for debt relief and poverty reduction[22]. It has also received more bilateral assistance than Angola from the European Union.

Angola, on the other hand, has been subjected to a range of economic and political conditions that it has to comply with before becoming eligible for HIPC assistance. Most foreign aid to Angola has been in the form of humanitarian assistance, such as food aid, with Japan and the US as the major contributors through the World Food Program. Hence, in terms of effective poverty reduction, it would seem that foreign assistance by multilateral institutions, such as the World Bank and the IMF, and the EU to Zambia has been both more extensive and more effective than the aid extended to Angola.[23]

This aid profile seems particularly distressing since Angola seems to present better prospects for significant poverty reduction by 2015 or 2020. The Angolan government has proved its commitment to economic and political reform, and with the civil war ended, revenues from oil, diamonds and other mineral resources will no longer have to be channelled into crippling military expenditures, but can be invested in development. It is to be hoped that the international donor community will deliver its pledged support in projects relating to infrastructure rehabilitation, the re-allocation of people to their areas

[22] Many scholars agree with the assessment of Jubilee 2000 that the rate of increase in poverty levels in Angola and Zambia (and other developing countries) will not be stemmed as long as the developed world rejects the cancellation of foreign debt owed at bi- and multi-lateral level. The foreign debt of Angola and Zambia is 100 percent higher than the GDP of either country (IMF and World Bank: 2000:1-3). For their part, most heavily indebted countries have committed themselves to the implementation of macro-economic policies with a focus on poverty reduction. The IMF conducts an external debt sustainability analysis in cooperation with the government involved to judge the country's eligibility for debt relief, the extent of which is subsequently decided by the boards of the IMF and the World Bank (IMF and World Bank, 2001:2-3).

[23] http://www.fao.org (Food aid programme in Angola)

of origin, and capacity building. If these projects are sufficiently inclusive, with the opportunity for both the poor and the private sector to participate, the future of Angola seems promising.[24]

Economic development is a complicated process in which resource endowments, the institutional environment, governance structures and economic policies interact to produce different outcomes. A comparative analysis of IMF and World Bank aid in Angola and Zambia shows that there are critical differences between the two countries regarding the evolution of institutional arrangements and governance structures. In particular, the analysis highlights the difference in the political and economic situations of these countries, with the element of political stability playing a crucial role.

Differences in policy implementation have proved to be a decisive factor in determining the efficacy of economic policies. The findings of this researcher rely on the fact that, in terms of the main research question on aid initiative by international donors (IMF and World Bank), developing countries and people in poverty must themselves lead the process of reconstruction. This, however, requires high quality input from the donor countries, and the international community might have to give high priority to aid assistance.

It is important for a developing country to support aid assistance in areas conducive to productive capacity and infrastructure to reduce dependence on aid. Aid cannot be seen as a resource that might be there forever; it should rather be seen as a means of escape for those trapped in poverty. As has been pointed out previously, it is essential for recipient countries to have good economic and political conditions where the market is regulated to make a significant contribution to poverty amelioration. Despite all aid support given thus far, it seems to be too early to evaluate such an ambitious policy programme in a meaningful way.

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[24] http://www.Angola.org/business/Angola_trade_Brochure_00.pdf (Guide for foreign direct investment.) & http://www.ebonet.net (noticias sobre-Assinatura do processo de paz- cessar fogo-luanda, Abril 2002)

4.3. How much blame should go to the IMF/World Bank and how much to local governments?

The literature on foreign aid and development strongly suggests that the usefulness of development assistance varies with the quality of a country's governance and the economic policies it pursues. In countries whose policy environment is unfavourable to growth, aid is less likely to be productive and contribute to long-term development. (Krueger et al, 1989: 89) [25]

The World Summit for Social Development, held in Copenhagen in 1995, highlighted the importance of a national policy oriented towards poverty reduction. The Declaration and Program of Action of the summit include commitments for all (industrialised and developing) countries to pursue national policies aimed at the removal of poverty, the promotion of productive employment and social integration. Within this framework, the summit emphasised the importance of social security systems for poverty reduction and social integration. It also contained specific commitments for the use of donor countries[26].

The governments of developed nations have also expressed support for the 20:20 Initiative. However, follow-up has been slow. The Oslo Conference in April 1996 helped to clarify the promotion areas of 20:20, but the discussion on benchmarks still continues within the DAC. Although some questions of definition are still open, the 20:20 Initiative already forms part of the dialogue between developed and interested developing countries. There is nevertheless some disparity in the allocation of funds within the framework of development co-operation, shown up in the lacklustre implementation of the 20:20 Initiative.

International NGOs maintain that the central demands of developed countries' policy papers, such as structural reform and the application of political conditionality, are not achieved in practice. Without the implementation of reforms, poverty reduction activities have achieved only limited success. More emphasis should be placed on the development of structural framework conditions and on the removal of the causes of poverty.

[25] http://www.cbo.gov/showdoc.cfm?index=8&sequence=4&from=0 - N_19_

[26] E.g. Commitment 9 (I) of the Declaration: "At the international level, we will ... increase the share of funding for social development programs..."; paragraph 88 (c) of the Program of Action: "... a mutual commitment between interested developed and developing country partners to allocate, on average, 20 per cent of ODA and 20 per cent of the national budget, respectively, to basic social programs" (with basic social services defined as basic education, basic health services, water, sanitary accommodation and food).

Currently, this aspect is not receiving enough consideration to meet the complexity of the issue at the different stages of co-operation, i.e. planning, implementation and results. New elements of a strategy geared more to poverty reduction are still to be tested, and, so far, development assistance has failed in its efforts to translate well-prepared policy papers into concrete development measures.

The shortcomings of cooperation do not however preclude positive results. In the case of Zambia for example, cooperation has achieved some success in poverty reduction. Such experiences show that the objective of poverty reduction as a priority of World Bank and IMF development co-operation is realistic. What is lacking is a concrete approach aimed at developing clear criteria for the classification of poverty-reducing projects and programmes, as well as the identification and use of appropriate instruments and methods. Consistent application of the participatory principle, in reference to poverty target groups, is also crucial to long-term poverty reduction.

Development assistance has enabled some developing countries, where the policy environment was not quite as adverse as in the case of Zambia and Angola, to achieve temporarily higher growth rates than would have been possible without aid. Although foreign aid donors may allow developing countries to postpone correcting their economic policies, they may also encourage them to adopt economic reforms. Finally, foreign assistance can help strengthen development in countries where government policies do not distort the allocation of resources in the economy.

It is too early to evaluate the impact of foreign aid assistance from multilateral agencies such as the World Bank and IMF on poverty reduction on Angola and Zambia. There is a degree of contradiction among researchers regarding the relationship between aid and sustainable economic growth. Many suggest that aid transfers have not promoted self-sustaining economic development in the third world, and that there is no positive correlation between foreign assistance and economic growth. However, there is also support for the position that aid impacts positively on recipient countries since it promotes economic reforms that ultimately lead to growth. This means that the primary responsibility for development lies with the Angolan and Zambian governments themselves, i.e. they must create a political and economic environment in which people are free to be productive.

The industrialised nations can help primarily by doing no harm. The G7 nations should allow developing countries to participate more fully in the international marketplace. The broad economic preoccupations of these countries generally exert a greater influence on the economies of the developing countries than aid does. It is important for Angola and Zambia (and all developing countries) to gain access to the markets of wealthier nations. The World Bank supports this view, and maintains that Western protectionism reduces the third world's GNP by a full three percentage points – twice the amount of foreign aid now provided by the industrialised nations.

As regards the relative advantages and disadvantages of multi- and bi-lateral assistance, Mellor and Masters argue that the central function of multilateral organisations is to support the economic reforms necessary for creating a policy environment conducive to sustained economic growth. As such, they engage in a range of activities that minimise restrictions on the private sector and build economic infrastructure, which are criteria essential for economic growth (1991:361 -366).

The question of whether aid is effective in reducing poverty and promoting economic growth can be argued *ad nauseam*. It might be more useful to look for applications of assistance that seem more promising than others. For example, foreign aid might be useful in raising the level of investment in an economy by freeing public funds to be invested into the economy rather than to service debts. By the same token, it might limit the strains on domestic tax bases and prevent costly distortions by providing funds necessary for public projects, such as the building of infrastructure.

Perhaps the most useful application of foreign aid human resources development, through the support of primary education or health care, since, even in relatively rich countries, private investors are wary of lending money for skills training and education without government guarantees of a return on their investment. In fact, aid resources have helped many developing countries bolster agricultural production by funding new crop varieties, irrigation programmes and extension practices, and have made significant contributions to health care by sponsoring research, education and immunisation programmes that have led to the control of various diseases, such as smallpox, polio, diphtheria and measles. (World Bank WDR 1995: 20-21)

The World Bank maintains that excessive spending on educational bureaucracy and school infrastructure, rather than on teaching staff and supplies, undermines the quality and quantity of schooling. The same is true in higher education, to the detriment of basic literacy or elementary education. In addition, the skills being taught should match the economic needs of the country. (World Bank WDR 1995: 37)

Recipient countries should bear in mind that external assistance should be seen as complementary or supplementary to internal efforts. An easy flow of external resources in the form of loans and aid has often hampered initiatives to mobilise internal resources for development and has fostered beggar economies.

Institutional structures and environments evolve over time. The appropriateness of any foreign policy must be considered within a specific historical and local context. There is no single optimal policy framework appropriate for all countries at every level of development. In addition emphasis should always be placed the human factor, as reflected in the 2020 vision for economic growth and development in Angola. It acknowledges the importance of reflecting the interests, values and aspirations of the Angolan people as a pre-condition for success, and places a premium on the realisation of the human potential of the country.

Technical assistance and technology transfers represent a very important channel through which to foster economic growth by investing in human potential. This type of aid aims at making existing resources more efficient and effective. Technical assistance programmes may include the training of government officials, i.e. those people who play an important role in creating the local policy environment and distributing foreign aid. Assisting in the development of organisations and institutions for the protection of property and minority rights, or technical assistance in the agricultural domain are other examples. As always, the success of such programmes depends on the political and economic environment in which they operate.

A neo-liberal approach is seen by many as the most effective path to economic development. This view is supported by the success of neo-liberal policies in some countries, but perhaps even more by the failure of other strategies either to reform the international system or to generate self-sustaining economic growth (Balaam and Veseth, 2001: 32).

Neo-liberalist strategies are based on the assumption that the domestic policies of developing countries are to blame for their poor growth. This view is contested by the NIEO movement, which considers problems in international trade and finance structures to be the main reasons for increasing poverty in developing countries. For their part, many developing nations regard the neo-liberal paradigm – with its emphasis on privatisation, deregulation and free trade – with scepticism, rejecting it as an obstacle to economic growth (ibid. p.333).

Neo-liberalist theories find their main practical application in development programmes sponsored by multilateral institutions such as the World Bank and IMF, who have typically relied on the premises of the liberal model in setting up the stringent aid conditions of SAP's, as in the case of Angola and Zambia (ibid: 333).

Although a number of Asian and Latin American countries have benefited significantly from the effects of SAP's during the last three decades, no African country has achieved any appreciable reduction in poverty based on a rigid implementation of structural adjustment. It is important not to equate these, and also to examine closely what constitutes "economic growth" by asking questions such as: What kind of growth? Is growth restricted to particular sectors at the expense of others? Who benefits and who suffers from it? Is the growth sustainable? Economic growth may be a condition for reducing poverty, but it is by no means the only one.

From a poverty reduction – as opposed to economic growth – perspective, it is the opinion of this researcher that the appropriateness of SAP's in Angola and Zambia should be re-evaluated. SAP's are considered universally applicable, regardless of the stage of a country's development. They contain a set of generic "one size fits all" policies. The abstract model does not necessarily fit the reality of African countries, and the slow progress of SAP's in Angola and Zambia is at least partially due to this problem. (Stein and Nissanke, 1999: 399-420).

The scarce resources that might improve social conditions in Zambia and Angola, and simultaneously alleviate population growth problems in these two countries, are diverted into debt servicing. In recent years, Zambia spent more on servicing its debt than on health, education and all other social expenditures combined. The help of the international community is urgently needed to improve this situation. (Most NGO's support the Jubilee 2000 campaign for outright cancellation of foreign debt.) The Angolan and Zambian governments should resist the IMF and World Bank's pseudo-solutions of re-designed HIPC's and reformed ESAF's .

Primary health care is another area of great concern. Zambia has a shockingly high rate of infant mortality – 112 deaths per 1000 live births, the 16th highest rate among 194 countries. Even if they survive infancy, one in five children dies before the age of five. These numbers constitute a dramatic increase from the early 1980s when the number was 150 in 1000. Although the high incidence of HIV/Aids must play a very big role in this increase, it is also ascribable in part to the collapsing economy and to harsh measures, such as user fees for health facilities. This is however only half the picture. Strategies aimed at reducing infant and child mortality must include measures to control population growth.

One of the worst results of the deteriorating economic situation in Zambia has been its impact on education. As a result of SAP reforms that imposed user fees in schools, there has been a significant drop in school enrolment. The drop is disproportionately high among girls, with important consequences for population dynamics.

The continued weak performance of the southern African region may have more to do with the donor-recipient relationship and inappropriate aid policy design than hitherto acknowledged. Genuine open discussion has often been absent. Typically, as in the case of Zambia in particular, negotiations for loans have been conducted within donor-driven parameters. Economic reforms such as cutting government spending, reducing subsidies and lifting trade barriers are unpopular because they take benefits away from politically powerful groups. Policy dialogue has perhaps been most effective when the recipients have wanted to make reforms, but needed some extra political cover to do so.

An important question to consider is whether aid encourages the diversification of economic activities and increases use of local resources. This will depend to some extent on the country and the economic policy that is being pursued. The conditions under which a country can receive aid entails having a sound economic policy. This policy may not be part of the major traditional economic sector, it might instead have to be integrated into the non-traditional sector. The structural reform demanded by donors already calls for the diversification of economic activities, to reduce dependencies on trade, and it promotes the efficient use of resources to benefit all citizens and not just one segment of society. To avoid the too-likely possibility of mismanagement or misappropriation of public funds, enforcing such measures promotes a level of accountability and transparency.

To sum up: at this stage it is very difficult to criticise the new approach of the IMF and World Bank, but there might be a need for more freedom for local governments or recipient countries, especially in terms of policy designing under the PRSP. Although the policy programme seems to give a certain degree of ownership to local governments, this is not actually the case.

This researcher argues that is doubtful that there is a higher degree of ownership once a programme is negotiated with the joint staff of the World Bank and the IMF, since they have the power to influence programmes according to the agendas of the interests they represent. The recipient country is often powerless in the bargaining process. The issue is all about power relations, those who have more power are able to divert the interest agenda of the powerless.

Finally, though, the blame goes to both sides, because aid needs more commitment by all parties, and a genuine dialogue on the issues, if poverty is to be significantly reduced by 2015.

CHAPTER FIVE

Conclusion: What should the IMF, World Bank and local actors do?

Aid without integrating others policy measures within recipient countries does not works towards poverty alleviation. This researcher believes that aid has an impact on the economy of the recipient country in as far there is coordination and efficiency of distribution to areas of productive capacity. Aid should be considered as an important means of economic development but should not be seen as a substitute for the productive capacity that a country can have.

Although Zambia has an optimistic perspective on their National Plan for poverty reduction, this researcher's conclusion from this study is that this will not be long term sustainable poverty alleviation. This means that the circumstances that this country is enjoying with aid support is based more on palliative measures rather than elimination of poverty in the long term, to bring about economic sustainability in terms of development.

The fact of relying on one major sector, i.e. the mining industry, it had made the country to become dependent on foreign aid assistance. This, added to the high level of corruption and mismanagement, has reinforced the current economic situation of the country, with an extreme level of poverty.

In the case of Angola, the main conclusion is that poverty in this country should not be considered as extreme. The international agencies have failed to understand that no country in the world would be able to provide for the basic needs of its citizens under circumstances of war, with people from the rural areas in the towns and cities as internal refugees without even the most basic living conditions. Thus the level of poverty should be considered as transitory, and when peace and stability return, it will undoubtedly decrease.

The World Bank and IMF new aid policies need to be integrated into more open debate with the recipient countries, which must be given more freedom as regards the ownership design programme. The level of ownership programme design is still insignificant, though a good step has been made by the Bretton Woods institutions in the direction of development and the eradication of poverty.

Development aid cannot be allocated purely on criteria of selecting recipient countries with good economic policy indicators since the correlation of these indicators with poverty alleviation is not automatic. More emphasis needs to be given to redistribution policies. Development aid is declining and is too small and inefficient to provide sufficient buffers to recurring international crises.

Negative donor policies include giving aid for political reasons, tying aid to the purchase of the donor's goods and services, and the implementation of import quotas. Such policies considerably restrict the level economic freedom of recipient countries. Van de Walle argues that such politically based aid programmes may impede growth, because the recipient may abuse its perceived "strategic" status by refusing to adopt policies to promote long-term developments (vd Walle, 1995: 4-5).

The positive effects of aid are often negated by contradictory policies of donor countries. For example, a donor may give aid to a developing country to improve its industry and promote exports, but, at the same time, raise trade barriers to the importation of the very products that the assistance was intended to promote. In a modified version of tied aid, the donor offers aid as subsidised credit for the purchase of its exports. Donor governments then justify aid budgets by arguing that they promote their commercial objectives and exports.

Aid and development programmes at multilateral level should be guided by and oriented towards clear goals for the eradication of poverty and promotion of equity and human rights – and in Angola, more specifically, to ensure peace and stability. In this way everybody in the population can become integrated into a viable society.

This researcher believes that participation in society is about more than income. Gross inequalities – in opportunity, power, and access to resources as well as income itself – are incompatible with a development process centred on people. Donors need to promote more equality, by showing clear political leadership and commitment to this aim. This is particularly vital for women, who comprise 70% of people living in absolute poverty in sub-Saharan Africa. Angola and Zambia in particular have high, and nearly equal rates of poverty. In the past aid was not very successful in Zambia due to the UNIP party and Kaunda's refusal to accept structural reforms, but the country embraced aid in the early 1990s, and seems now to have registered some degree of success. However, much more still needs to be done, though this country must try to avoid dependency on foreign aid assistance.

Angola, on empirical perspectives, seems to have a greater possibility than Zambia of achieving the goals set by the UN in terms of poverty alleviation. The country needs stable conditions to re-launch its agriculture production and ensure the progress of the now booming oil industry and the mining industry (gold and diamonds). Satisfactory production and no external shocks in terms of commodity prices on the world market will definitely help the economy to growth faster. This will in turn bring about development which could lead to poverty eradication by 2020/25 – as long as the government is committed to sound political, economic and social policies.

But there is much more that could be done. While aid administrations devote a lot of rhetoric to poverty, the dilemma is that most official aid simply does not reach people living in poverty. Perhaps only a small proportion is used for poverty eradication and basic services, and there is little evidence that the rest reaches people living in poverty through 'trickle down' economic growth. This means that policies and guidelines must be reflected in projects to a greater extent than they are at present.

Basic rights to health, education, food and employment continue to be denied to hundreds of millions of people. Investment in health and education is one of the most important determinants of human development, and of employment, productivity and economic competitiveness.

With rising poverty around the globe – in both north and south – development cooperation is no longer merely an option for northern actors. It is an obligation both morally and for reasons of self-interest in an increasingly interdependent world where many issues can only be resolved internationally, in the perspective of global governance.

Economic globalisation means that development cooperation between northern and southern countries should have a much higher priority in national and international politics, where 'domestic' and 'foreign' issues are increasingly blurred. But the sad reality is that northern states and multilateral institutions are not yet committed to giving priority to development cooperation.

Political will and leadership are simply lacking on both sides – in both recipient and donors countries. For the Millennium Goals Development to meet its main objective of poverty amelioration, the situation demands commitment from both sides. The local actors must demonstrate a strategy for meeting existing commitments, including the 0.7%

of GNP ODA target, the 20:20 compact, and the goals of the OECD-DACs "shaping the twenty-first century".

Aid can and does work. While developing countries and people in poverty must themselves lead the process, this requires high quality input from the donor. The international community should make high quality aid a priority. It also needs the right economic and political conditions in the recipient country, where states must give priority to the eradication of poverty and the protection of human rights, and where markets are regulated so that they contribute to these goals.

The best alternative for highly indebted low-income countries is the total cancellation of foreign debt. Though relief is welcome, it alleviates but does not cure.

In order for these objectives to be meet, the Angolan government must address the fact that the legal framework for NGO's to operate does not exist. Since the early 1990s Angolan law number 14/91 regulates the activity of national and international NGO'S. A more open framework is required for civil society to participate on all levels (Tvedten, I, 2001, 29). The centralised system of government cannot operate properly without structural reform of its institutions.

The government of Angola is operating in the framework of a semi-decentralised system; the three spheres of government are not functioning fully, some will argue because of the conditions of the country during the war years. One must take into account that the system of decentralisation constitutes one of the major keys in strengthening the capacity of the state delivery services, and the fact that local government is the only government institution facing the people in their daily lives.

On this perspective, to ensure a pro-poor budget and aid assistance to meet the concerns of poor, the Angolan government needs to embrace a participatory approach by building up a partnership with civil society. Zambia, on the other hand needs only to strengthen its institutions in order to accommodate a more pro-poor policy, specifically as regards the efficiency and capacity of delivery services.

Recipient governments must show leadership in ensuring coherent development strategy policies so that activities in one area do not undermine those in another. Government and citizens must respond to the pressures of economic globalisation by promoting inclusive social and economic development. Macroeconomic policies and trade and investment rules must give priority to generating and preserving sustainable livelihoods, equity, and human security, for both women and men.

Pro-poor growth requires effective use of the economic policy tools available to the government, which means at the macroeconomic level, structural and social policies to encourage investment as well as enhance the labour productivity of the poor. On the other hand, perspective key complementary policies are needed to build productive assets of the poor by providing services, such as education and health, or by supporting the accumulation of assets such as land or livestock, and increasing the access of the poor to markets both local and foreign.

People rise from poverty when countries focus on the main pillars of development: building a climate in which entrepreneurs will invest, generating jobs and produce efficiently, and empowering poor people by investing in them so that they can participate in economic growth. Aid alone cannot make a difference in terms of impact on the economy if is not channelled properly towards the productivity capacity of the country generate growth and job creation involving the poor. Therefore this need to be added the elements of good governance and a regulatory framework, which promotes competition and prevents corruption. Further, there must be a foundation of basic infrastructure with effective services such as health and education.

To bring the people of Angola out of poverty local actors will have to invest in human capital, as has been done over the years by the oil and diamond industries, diversifying their investment in human capital. In other important areas of economic activity this must be done by continuing subsidising free education at all levels – as it used to be done both internally and abroad. This must all be done without waiting for international aid, which will in any case not ever be sufficient to be a solution to the main post-conflict challenges that the country has ahead of it.

This researcher believes that there is a huge alternative in the multilateral framework for Angola to receive aid support – as President dos Santos reminded Koffi Annan during his last visit to Angola. This is that the United Nations should start to implement the Security Council resolution that the South African state must bear the cost of the damage to infrastructure made during the invasion by the previous regime. Some would argue that the current South African government is not liable for the previous government's wrongdoings, but in international law it is liable, and that is why the resolutions exist, following a report of UN experts who visited the country in the 1980s. The resulting rebuilding would therefore indirectly alleviate poverty.

The IMF and WB, and also bilateral donors need to work with recipients on building targets into countries' assistance strategies. Measuring and monitoring progress towards the objectives of their programmes for poverty alleviation and debt relief is an imperative, and their need to be mechanisms for such monitoring without jeopardising the sovereignty of the country involved. This will be achieved only if there is a clear framework of mutual agreement and contractility between the Bretton Woods financial institutions and the recipient countries.

Developing countries and people living in poverty must themselves lead the process, but this will require high quality input from the donor countries. Therefore the international community needs to make high quality of aid a priority. At the same time the recipient countries must give priority to having economic and political conditions suitable for the eradication of poverty and the protection of human rights, and where markets are regulated so that they contribute to these goals.

Aid policies also need to cohere with other policies that could otherwise undermine them, in particular for the two countries in the study, policies such as debt repayments or unfair trade. For recipients, such aid works when the economic and political environment is geared towards promoting parallel objectives: the eradication of poverty and human rights. Growth must be an equitable process that works in the interest of people living in poverty and does not exclude whole sections of the population on the grounds that wealth will eventually 'trickle down' to the poorest.

In the final analysis, the effectiveness of aid in eradicating poverty depends both on the quality of the donor aid programmes and on the capacity of recipient governments to use the aid wisely.

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